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UNIVERSITY OF NORTH CAROLINA EXTENSION BULLETIN

VOL. X

OCTOBER, 1930

NO. 2

CONTEMPORARY INDUSTRIAL PROCESSES



NORTH CAROLINA CLUB YEARBOOK
1929-1930

CHAPEL HILL

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THE UNIVERSITY OF NORTH CAROLINA PRESS

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*Published ten times a year from September to June.
Entered as second-class matter October 19,
1921, Chapel Hill, N. C.*

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FOREWORD

S. H. HOBBS, JR.

The North Carolina Club at the University has just rounded out its fifteenth year. This was established in 1914 by Dr. E. C. Branson, who has remained its guiding spirit. The Club is composed of University students and faculty members who meet fortnightly throughout the college year to study the state's civic, economic, and social problems.

The following yearbooks have been published by the North Carolina Club:

- 1915-16 The Resources, Advantages, and Opportunities of North Carolina.
- 1916-17 Wealth and Welfare in North Carolina.
- 1917-18 County Government and County Affairs in North Carolina.
- 1918-19 (No yearbook issued.)
- 1919-20 State Reconstruction Studies.
- 1920-21 North Carolina, Urban and Industrial.
- 1921-22 Home and Farm Ownership.
- 1922-23 What Next in North Carolina? I.
- 1923-24 What Next in North Carolina? II.
- 1924-25 What Next in North Carolina? III.
- 1925-26 Town and Country Interdependencies.
- 1926-27 Some Problems in Democracy in North Carolina.
- 1927-28 Studies in Taxation in North Carolina.
- 1928-29 Country Life in North Carolina.

Ordinarily the program of the Club is taken care of by members of the student body, under the direction of the Department of Rural Social-Economics. The papers presented in this yearbook have been prepared mainly by staff members of the Department of Rural Social-Economics, the School of Commerce, and the Institute for Research in Social Science, joint sponsors of the Club program for 1929-30. The program has centered around industrial North Carolina. The members of the club have made an honest attempt to arrive at a sympathetic understanding of our contemporary industrial life and the problems connected therewith.

In order to get a complete picture, certain recognized men and women from off the campus were invited to address the Club. Among them was Robert Lassiter of Charlotte, Bernard M. Cone of Greensboro, H. P. Kendall of Boston, Mrs. Bulus B. Swift of Greensboro, and T. A. Wilson, president of the State Federation of Labor. Of the invited speakers, only the address of Mrs. Swift is included in this volume. Mr. Cone's address was printed in full in the *Greensboro Daily News* and other papers. Messrs. Kendall, Lassiter, and Wilson spoke extemporaneously, so that we have no manuscripts. The talks by Messrs. Lassiter, Cone, and Kendall were on various aspects of the textile industry from the point of view of textile operators. Mr. Wilson spoke for organized labor.

Each year the Hon. J. W. Bailey, of Raleigh, offers a prize of fifty dollars to the University student who makes the "most valuable contribution of information affecting our commonwealth." The award was not made for last year, as no papers were presented by students. The Club is deeply indebted to Mr. Bailey for his genuine interest in its activities.

RURALISM, URBANIZATION AND RURAL-URBAN ECONOMIC INTERDEPENDENCES IN NORTH CAROLINA

S. H. HOBBS, JR.*

In this paper I wish to point out the necessity for a better balanced economic order in North Carolina, to show the mutuality of rural-urban interests, and the reciprocal benefits of a well-balanced development.

North Carolina is predominantly a rural state—too rural for the good of farmers and for the general good of the state as a whole. Although we enjoy high rank as an industrial state, we have achieved this position without developing any large cities or any considerable urban population. That we are still predominantly rural may be seen from the following facts. In 1920, 71 of every 100 inhabitants lived outside of incorporated places of any sort or size whatsoever. The urban population of North Carolina in 1920 was only 19.2 per cent of the total, and only five states had smaller urban ratios. The urban ratio in 1910 was 14.4 per cent.

In 1920 there were only six counties with as many as half of their inhabitants living in incorporated places of any sort or size. In 70 counties from three-fourths to the entire population lived outside of incorporated places.

In 1920 the actual farm population was 58.7 per cent of the total population, and only four states had larger farm population ratios. It is likely that our farm population ratio today is almost the highest of all the states.

The 1925 Census of Agriculture reports the farm population of North Carolina as being 1,446,881. Only Texas had more people living on farms. Thus in farm population ratio and volume North Carolina stands almost at the top. Those who live by extractive industry other than agriculture are a considerable element of our population, since North Carolina is an important lumber and fishing state and engages in other extractive activities.

That North Carolina is dominantly rural may further be seen by brief comparisons with the average for the United States. For North Carolina, as has been stated, 19.2 per cent of the population in 1920 was classed as urban, while the ratio for the United States was 51.4 per cent urban. The farm population ratio for North Carolina was 58.7 per cent, while the average for the United States was only 29.9 per cent. Since 1920 the farm population ratio for the United States has declined much more rapidly than for North Carolina. Approximately one-fourth of the people of the United States live on farms today, while the ratio for North Carolina is probably not less than 55 per cent. In other words, the rural and farm population ratios for North Carolina are more than twice as high as the ratios for the United States, and the United States farm and rural ratios are falling more rapidly than the North Carolina ratios. For many decades to come North Carolina will be excessively rural compared with other states.

*Professor of Rural Social-Economics, University of North Carolina.

The following table from the abstract of the 1920 census shows the rate at which our rural population ratio has been declining since 1890.

Year	No. Places 2,500-5,000	Per Cent 25,000- 100,000	of Total 10,000- 25,000	Population 5,000- 10,000	Living 2,500 5,000	in Place Rural
1920	28	6.1	6.0	3.5	3.5	80.8
1910	20	2.7	4.0	4.4	3.3	80.6
1900	16	—	4.6	2.2	3.0	90.1
1890	11	—	3.4	1.3	2.5	92.8

Assuming that the above trend has continued since 1920, the rural population (population outside of places above 2,500 inhabitants) is now approximately 75 per cent of the total population, or about 2,250,000 inhabitants.

And finally, North Carolina is one of the very few states, and the only important industrial state, that does not have an outstanding city. The largest city in the state has around 85,000 inhabitants. A large part of our industrial development is found in small towns, much of it altogether outside of incorporated places.

URBANIZATION

While it is true that North Carolina has always been predominantly rural and is still one of the most rural states, there has been a remarkable urbanization trend during the last two or more decades, especially in the piedmont country, a result of the industrial development that has taken place in the state.

As late as 1900 there were only 27 towns in the state with as many as 2,500 inhabitants. In 1920 there were 57 such towns, and there are probably 80 at present. Between 1910 and 1920 the population in towns above 2,500 inhabitants increased 54 per cent, or nearly four times as rapidly as the state as a whole. The small towns are growing only about one-sixth as rapidly as the larger towns of the state.

The urban population is now approximately 750,000, or 25 per cent of the total population. The rural population, therefore, is approximately 2,250,000 or 75 per cent of the total population, of which approximately 1,600,000 live on farms, leaving approximately 650,000 inhabitants living in places with fewer than 2,500 inhabitants but not on farms. The large number of people living in the twilight zone is due to the fact that much of our industrial development is on the outskirts of incorporated places, a considerable part of it in unincorporated open country mill villages.

North Carolina has some of the most rapidly growing cities (on a percentage increase basis) in the United States, notably Winston-Salem, Greensboro, Charlotte, Gastonia, Asheville, and Durham. Since 1920 several North Carolina cities have more than doubled their populations.

THE LOOK AHEAD

North Carolina throughout her history has been a rural state and still is predominantly rural. The state is becoming urbanized very rapidly, urbanization being the product of our belated, but very positive, move into in-

dustry. Our small towns are experiencing retarded population growth, something like a third of them actually losing population.

The state is still predominantly rural, having a farm population ratio more than twice as large as the national average. The prospects are that our farm population ratio will continue slowly to decline, but not at the rate of decline for the nation. In other words, North Carolina for long years to come will have a large farm population ratio and a large total farm population. The city population will continue to grow at a rate far above the growth for the state as a whole, but the prospects of a rural ratio as low as the national average are remote indeed. Our small towns will probably grow at about the rate of progress made by the surrounding trade territory. The per cent of population living in small towns will doubtless continue to decline.

North Carolina will probably never have a large city because there is no one place, under present transportation conditions, that has any marked advantage with respect to location. The state has a large number of competing towns of healthy size, which, all things considered, is fortunate. For one thing, it means near-by markets for farmers over a vast area.

The accelerated growth of our towns and cities is well for the state, socially as well as economically. Urban drift temporarily may hurt certain rural regions, but those who decry the urban trend in North Carolina express their sentiment more than their judgment. North Carolina has been top-heavy on the rural side. She is gradually becoming a better balanced state. For the first time in our history our farmers can begin to diversify and find local markets for their surplus food and feed products, as well as for the non-food cash crops that the old conditions forced them to grow. As a result of urbanization, the state has made remarkable progress within recent years. The following facts are evidence of the benefits of urban-industrial development.

Since 1912 the per capita wealth of North Carolina has increased faster than that of any other state. Due to increased wealth we have been able to increase our governmental expenditures. Our rank in public education has moved up from forty-eighth to about thirty-ninth at present. Due to increased wealth and economic necessity North Carolina has been able to build a system of highways that compares favorably with the best the nation has to offer. Such rapid strides have been made in the fields of public health and public welfare that North Carolina's high standing in these social fields is publicly recognized. President Herbert Hoover says that North Carolina has made more progress during the last fifteen years than any other state. Such progress could not have been made under the old order of dominant ruralism. The bulk of our people still live on the farm, but the bulk of our wealth, produced and retained, is urban wealth. North Carolina has moved ahead of other southern states because she has had the good fortune to attain a better balanced economy. Excessive ruralism is not good, even for rural people. The hope of rural life in North Carolina lies in further urbanization, provided farmers have the sense to take advantage of the new oppor-

tunities. Rural social conditions may stagnate in regions of excessive urbanization, but most certainly it is not necessary that they should do so. Rural social conditions are now at their lowest ebb in areas of excessive ruralism. They can be at their best only in areas of balanced economy. The last quarter-century has brought about a much better balanced economy in North Carolina, and therein lies the explanation of her ability to function on higher levels than is possible in southern states that still depend upon agriculture as the main source of income.

INDUSTRY AND AGRICULTURE

North Carolina is looked upon as perhaps the most prosperous state in the South. It is believed that the chief explanation lies in our supremacy as an industrial state. Industrial and urban development have benefited agriculture, as all thoughtful people in the state agree.

Industry gives North Carolina the bulk of her income and the bulk of her spending power. The following table is offered as throwing some light on the importance of industry in the economic life of North Carolina. It is strictly an analysis of wealth production. Its significance may best be understood if one attempts to contemplate North Carolina without any industry at all, simply as an agricultural state. And there are states that are almost strictly farm states.

Industry and Agriculture Compared

	Employees	Wages	Value of Output	Output Per Worker
Textiles	123,432	\$ 86,145,015	\$ 425,837,522	\$ 3,444
Tobacco	15,976	12,545,075	413,274,114	25,930
Furniture	14,821	14,417,590	53,551,221	3,610
Miscellaneous	50,438	45,179,527	262,354,779	5,616
Total	204,767	158,287,197	1,154,617,636	5,640
Agriculture	513,000	453,000,000	902

Although the bulk of our people still live on farms, the bulk of our wealth is produced by our factories. The wealth produced annually by our factories is now three times the wealth produced by our farms. The average person gainfully employed in industry produces six times as much wealth as the average person gainfully employed in agriculture. There is probably a larger per cent of new wealth in a dollar's worth of industrial output than in a dollar's worth of farm produce.

OUR AGRICULTURAL SYSTEM AND WHY

North Carolina is primarily a non-food cash crop state, mainly because of excessive ruralism and the consequent necessity for producing those things for which we can find a market beyond the borders of the state. In average years a larger per cent of our total farm income is from crops than is that of any other state, and in all years North Carolina stands first in per cent of farm wealth produced by non-food crops. In other words, livestock plays relatively a smaller part in our system of agriculture than in any other state. Crops and agriculture in North Carolina are synonymous terms.

A few points may be cited to emphasize the nature of our farm system, due in a large measure to dominant ruralism and lack of local urban markets for possible surpluses that farmers could produce.

Although we rank second in number of farms and near the top in farm population ratio, we fail to produce sufficient food to supply the state. Our bill for imported food is close to 200 million dollars a year. We import around one-half of all the food consumed in the state. This may seem strange, yet take note of the following facts:

There are only four small canning factories in the state of North Carolina, which means that we import practically all of our canned goods, jams, preserves, and the like.

Out of 283,482 farms in 1925, there were 111,328 that reported no hogs, 224,432 that reported no beef cattle, 139,901 that reported no dairy cows, and 179,415 that grew no hay or forage crops in 1924. North Carolina ranks last in the United States in the per cent of farms having milk cows, and last as a livestock state, using several measures of comparison. We either import food or we do without.

Simple observation shows that we are a food and feed importing state. More than 90 per cent of the food handled by the wholesale and retail grocery stores of North Carolina is produced outside of North Carolina.

It is thus seen that agriculture in North Carolina is on the lowest level, the crop stage. We are producers of primary crude wealth and consumers of finished products. We need vertical farming in North Carolina. By vertical farming is meant, first, the production of crops; second, the production of livestock; third, the production of livestock products and the processing of home-grown food crops; and fourth, the marketing of these finished products in an orderly manner. Vertical farming and solution of the local market problem are the two great economic necessities in this state at the present time. Vertical farming is difficult to establish in a rural state. It is only now becoming possible in this state. Our urban people should be interested in the solution of this problem for sheer selfish reasons, if for no other.

WHY FARMERS NEED NEAR-BY MARKETS

We hear much of the dependence of the city upon the farm. Few people ever stop to consider the dependence of the farm upon the city, and the economic importance of having a large consuming public at hand as purchasers of locally grown produce. In the past it has been easy to oversupply the local demands. A few farmers could swamp the towns with milk and butter, fruits and vegetables, poultry and eggs, and the like. Our farmers have not produced more of these things simply because they could not dispose of surpluses. Such things as we have produced have been grown to be shipped out of the state to northern cities—berries, peaches, and truck crops. Local town people have been denied home-grown fresh products because the local markets have been small and scattered. For instance, many carloads of fine lettuce are grown near Wilmington and all of it is exported to northern cities. We import lettuce from the far West, the cars bearing the

exports and imports passing each other! Our own vegetable producers have not learned how to capture the local market, or they consider it still too small to bother with. As our cities become larger they will offer near-by farmers larger markets, and it is to be hoped that our farmers will have the good sense to capture these markets. Indeed, there is abundant evidence that many farmers are organizing their farms to supply the new local markets. This is especially noticeable in the growth of the dairy industry in piedmont North Carolina. The piedmont is the only region of the state that has a moderate urban population, and only the piedmont has diversified agriculture on a commercial level. The city population has developed so suddenly in this area that relatively few farmers have realized the new opportunities, and only a small part of the potential market has been tapped. There is an untapped local market for 200 million dollars' worth of food in North Carolina, the vast majority of which could be supplied by this state—if we had the sense so to organize our affairs as to capture this vast business. It is our hope that the explanation why this market has not been tapped is the suddenness of its creation rather than the stupidity of our people. If I were the czar of North Carolina and could do just one thing, I would force a solution of the local market problem and keep at home the lion's share of the 200 million dollars we now send out each year for imported food that could be produced here as cheaply or more cheaply than it can be produced elsewhere, not to mention the high cost of importing from distant points.

WHY URBAN PEOPLE AND INDUSTRY NEED LOCALLY GROWN RAW PRODUCTS AND PROCESSED FOOD

Just as farmers are in need of large local markets, so are the cities in need of locally grown raw products for maximum prosperity and for self-interest. Practically all the industry carried on in North Carolina is based on native raw materials—textiles, tobacco, furniture, cotton oil, wood-working, brick, etc. Such position as our state has achieved is due to the fact that we have developed factories to process our major raw products. Further progress lies in expanding these industries and in developing new ones.

At the same time industrial development and urban security depend in part upon an abundance of wholesome food at reasonable prices. If our farmers can produce and process food and supply it to our urban consumers more cheaply than it can be supplied from the outside, then obviously it is to the advantage of our towns and a prop to our industrial security. Cheap food and cheap living conditions enable workers to live well on low salaries or wages. The high cost of living alone might keep down the industrial development of a region.

A chief item in the cost of living is the cost of distribution. Freight rates and middlemen processes take the lion's share of the consumer's dollar.

It is reasonable to believe that many products can be supplied by local producers more cheaply than they can be imported from distant states. If this is true, the benefits can be divided between producers and consumers and our position as an industrial competitor thereby strengthened.

Again, urban people and industry are interested in locally grown raw products because it keeps the money at home. There has never been much cash in North Carolina and some way must be found whereby we can retain more of the wealth that we produce. We rank near the bottom in all matters that have to do with retained wealth. Witness our standing as a banking state, or in saving deposits, or in the purchase of stocks and bonds. Witness the frequent bank failures in regions of non-food cash-crop farming.

Again urban people are interested in locally grown and processed food and other products because it helps to develop the towns themselves. If we could manufacture in North Carolina a large share of the packing house products, canned goods, flour and feed, candy, butter, canned milk, cheese, sausages, breakfast foods, etc., we would not only retain countless millions of cold cash, but we would give employment to additional thousands of wage earners who, in turn, would offer vastly larger markets for locally grown produce. In other words, the size of our cities and the size of the local market depend upon the diversity of our economic organization. The economic organization of a region should be as diversified as the law of comparative advantage will permit. We have a favorable balance of trade on a few items, but an unfavorable balance on a vast number of items. The result is that the net wealth retained by the state is a bare minimum. Witness the inability of our people, town and country alike, to support public enterprises with even modest liberality.

LINKING UP TOWN AND COUNTRY

It might be in order at this point to make a few practical suggestions as to how the town and the country can be brought closer together, to the mutual advantage of each. It is obvious that the two groups are not working together harmoniously or otherwise. Each is working along independently of the other. There is often collision where there should be collusion and coöperation. Their economic actions are independent.

One outstanding need in the state is the development of coöperative organizations on the part of farmers, not mainly for the purpose of securing higher prices, but for such indirect benefits as standardized goods, quality products, and regularity of supply. Individual marketing is as antiquated today as slavery would be. Those farmers who are reaching the markets and capturing the cream of the trade are the ones who have organized into coöperative marketing associations. We order apples from coöperative associations three thousand miles away simply because coöperative associations stand ready to supply apples in quantity and quality upon demand. The individual apple growers of North Carolina are passed up by our merchants because merchants cannot afford to deal with them. It is only through commodity coöperative organizations that we can cash in on the raw products that this state can grow in superabundance.

Second, this state needs to develop agricultural industries. In my opinion this is the greatest immediate opportunity and need in North Carolina. Practically all of the processed food consumed by this state is imported, and

most of it from states that could not possibly compete with us if we only had their initiative and industry. Every natural advantage as an agricultural industrial state is in favor of North Carolina as compared with Wisconsin, Minnesota, New York, Pennsylvania, and other northern and western states that supply our tables with processed food. The only thing they have that we do not exhibit is industry and initiative. Why should North Carolina import string beans, sauer kraut, and butter from Wisconsin, peanut butter from New York, or any of Heinz's fifty-seven varieties? There is scarcely a processed food that could not be produced as cheaply in North Carolina as elsewhere, not to mention the savings in freight rates and middlemen's charges and profits.

A third method by which the town and the country can work together is through the establishment of curb markets in all of the major towns of the state. There are a few such successful markets in the United States, some in North Carolina. Generally merchants are selfishly opposed to such markets and place all sorts of barriers in their way. The merchants of the largest city in our state sought to prohibit farmers from selling to the housewives at their doors.

A fourth method, and one that is gradually developing, is the establishment of highway and roadside marketing. This business has grown to large proportions in Michigan, New York, Pennsylvania, Maryland, and other states. With our vast network of highways and decentralized urban population it is possible for a large part of our farmers and townspeople to get together through means of the highway market.

A fifth way is by means of the parcel post, which was established largely for this purpose, but which has resulted mainly in the destruction of the business of small-town merchants. The parcel post can be used advantageously in regularly supplying urban consumers with fresh fruits, eggs, butter, hams, sausages, and the like.

There are many other methods that might be suggested though only one more will be presented, and that is suggested by the work of the Farmers' Federation with headquarters at Asheville. This organization is serving to link the farmers of the mountain region with the markets of this and other states. It would be a fine thing to have several regional organizations of this sort distributed over the state.

REGIONAL COUNCIL PROPOSED

In conclusion, I would suggest that we have come to the point in our economic development at which it would be wise to take stock of our achievements, take a real look into our resources, and on the basis of economic opportunities and advantages plan our future. This can be done either as a state or in conjunction with the South Atlantic states. This very thing is being done by the New England states. For more than four years they have been quietly investigating their economic status and taking stock of further opportunities. They have employed some of the best economists to aid them in their investigations. The business men are backing the investigation to the

limit. The central idea of this group is to develop every economic opportunity at hand so as to make New England as independent of the rest of the nation as possible. They have frankly told the other states what they are aiming to do. They plan to reëstablish agriculture, and to develop farm industries for the New England needs. In short, they are making a regional inventory and are boldly laying their plans for the future. They have come to see the importance of regional rural-urban economic interdependence. North Carolina has been so designed by nature that it could be practically self-sufficing. I believe that this state will achieve maximum prosperity through regional planning and the coördinate development of country and town, of agriculture and industry. They are interdependent. For the time being I believe that the state is too rural for the interest of the farmers and for the well-being of the state. We need to achieve a better balanced economy and to preserve the balance once achieved.

THE SOUTHERN LABOR SUPPLY

From Cotton Field to Cotton Mill

RUPERT B. VANCE*

The phrase *From Cotton Field to Cotton Mill*,¹ used in 1906 by Holland Thompson as title of his analysis of labor in southern textiles, may be regarded as true then and true now. The Negro agricultural laborer of the South seems fated to serve as the source of unskilled labor supply for northern industries isolated by restricted immigration. To a much greater extent the white cotton farmer of the southeastern piedmont and coastal plain furnishes the actual and reserve labor supply for the cotton mill industry. Cotton culture may be shown to influence both the quantity and quality of Southern industrial workers. By quantity one means the supply of workers available for the industry; by quality, the traits and characteristics these workers carry to their new tasks.

COTTON CULTURE AND THE QUANTITY OF LABOR SUPPLY

The Southern industrial labor supply may be regarded as the resultant of many factors: location, rural-urban population ratios, tenure levels, and income levels. Cotton culture in particular and Southern agriculture in general, it is known, have been in a bad way for a decade, certainly since the debacle of 1920-21. In the post-war readjustments the old Cotton Belt, the southeast, has suffered from competition with the newer western areas of Oklahoma and west Texas. Soil exhaustion from cropping since colonial days places an initial burden of fertilization on the southeast. North Carolina, South Carolina, and Georgia lead the Union in the use of commercial fertilizers. Small tracts and rugged topography have left these areas far behind the western plains in the use of mechanized methods of cotton culture. Machine plowing, planting, chopping, and picking—the last by means of sleds on level rows half a mile long—enable the western farmer to make money and expand his acreage while the eastern cotton grower is counting his losses. Land is being abandoned. The total acreage of harvested crops in the southeastern coastal plain doubled from 1879 to 1919, but in 1924 the acreage was one-third less than in 1919. The cotton mills located in the southeast may thus be thought of as the first refuge of the losers in this form of intersectional competition. One does not have to guess at the extent to which cotton underlies the agriculture of the South. In 1924, of their farms reporting cotton, North Carolina had 62 per cent, South Carolina 90 per cent, Georgia 78 per cent, Alabama 87 per cent, Tennessee 34 per cent. Averages of cotton acreage per farm range from 13 for Tennessee to 20 for Georgia.

The rural areas have scarcely begun to be depleted of their man power. Over three-fourths of the population of these areas live outside of cities of

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¹ Published in New York, 1906.

less than 2,500, and more than half of the total population live on farms. The farm population in 1920 ranged from 54 per cent of the total for Tennessee to 63 per cent for South Carolina. The proportion of this population which may be regarded as labor reserve should be influenced, among other factors, by levels of tenure and standards of income from the farm. The landlords and small owners, it is obvious, are attached to the soil by real property of which they find it extremely difficult to dispose on a falling market. The Southern tenant, on the other hand, has nothing to leave behind and must be rated among the most mobile of all our social classes. In 1924 the percentage of tenancy was for North Carolina 45, South Carolina 65, Georgia 63, Alabama 61, and Tennessee 41. For these five states it was found that out of 820,192 white farmers 348,444 were tenants. It must be remembered that these figures represent farm families, not individuals. Under the family labor system of both cotton field and cotton mill it is safe to say that they must be multiplied by a figure between two and three to represent labor supply. Tradition having decreed that the Negro is not to enter the cotton mill industry, the Negro tenant has been left out of consideration.

It is only recently that studies have been made which enable us to answer the next question. Does the cotton grower, owner or tenant, make enough on the farm to keep him there—oblivious of and indifferent, shall we say, to a wage of \$15 to \$20 a week in the cotton mill? During 1922-24 the average consumption of goods by 302 South Carolina families of five and a half persons amounted to \$1,481.80.² Of this, \$698.50 was furnished from the farm and \$783.30 purchased. For 558 Alabama farm families of five members the total outgo was \$1,614.20, divided between \$747.80 raised on the farm and \$866.40 purchased.

For the year ending March 31, 1925, it was found that 120 Alabama owners lived on budgets averaging \$1,896.40. Of this, \$763.10 came from the farm. Fifty-three tenants averaged a budget of \$1,290.20, with \$643.30 from the farm. For the same period 140 owners' families in South Carolina lived on budgets of \$1,611.70 compared with 60 tenants who averaged \$1,114.40. For these groups \$749.40 and \$578.10 worth of goods, respectively, came from the farm. These figures represent a fairly high level of Southern farmers.

These ratios are from too high a level of living to represent the average of income and expenditure for farmers of the Southeast. A U. S. Department of Agriculture study in 1927 showed average net income of 5,255 farms in the South (including value of food produced and used on the farm and deducting interest of five per cent on investment) to be \$635.00 in the South Atlantic and \$700.00 in the South Central states. These represent family income and make no deductions for labor of women and children. Moreover, farms in the South do not average 80 acres, while these farms averaged 189 and 249 acres for the two areas. Mr. Heer reaches the conclusion that the average Southern farmer received a net income of \$519.00 in 1927.³ Other studies at

² See *Commercial Survey of the Southeast*, Domestic Commerce Series 19, Washington, 1927, pp. 200-17.

³ Clarence Heer, *Income and Wages in the South*, Chapel Hill, 1930, pp. 63-64.

hand, notably those in North Carolina by E. C. Branson and J. A. Dickey and by the State Tenancy Commission, indicate still lower levels.

To focus attention on a specific group makes the outlines of the picture definite. A study made by the Department of Agriculture⁴ analyzes living conditions of cotton farmers in Gwinnett County, Georgia, a typical piedmont cotton producing area, inhabited mostly by white farmers. The average cropper cultivates 24 acres, the average tenant 26, and the average landlord with his tenants has 48 acres in cultivation. From the 288 farms studied it was found that the typical farm had 8 acres in cotton, 13 in corn, and 4 in other crops. These 288 white families showed in 1924 an average net cash income of \$424.00 per family of five. Their cash income was supplemented by food, fuel, and shelter from the farm to the value of \$396.00 per family, giving a total of \$820.00 per year. From their net cash income they had to pay ordinary living expenses averaging \$291.00 per family, leaving \$133.00 to be applied to their debts or added to their capital. Only one work animal was found on 40 per cent of the farms, and only 14 per cent had over two. Thirty-four per cent of the families lived in houses of only one thickness of lumber. These people have meager wants but their wants equal or exceed their income. The average annual expenditure of each family for books, magazines, recreation, amusement, education, and religion was \$24.00 per year. It was almost equaled by the purchase of their only luxury, \$15.00 per year for tobacco and snuff. Their wants would be more scantily supplied but for the fact that 90 per cent of the housewives have cheap sewing machines and make part of the clothing for the family. The exodus of young people from these farms is increasing. Forty-seven per cent of owners' sons who have grown up have left the farm to go into other occupations besides agriculture. However, only 29 per cent of the croppers' children leaving home have deserted agriculture. The Department estimates that there are perhaps 100,000 families along the border of the old Cotton Belt who live no better than those of Gwinnett County.⁵

Against these samplings of rural life and livelihood in the South one must place the cotton mill earnings, not of an average breadwinner but of the family. The one-horse farmer of the southeast makes his crop with the aid of family labor, and the textile tradition of wife and child to the mills comes as no shock to him. A family wage of \$25.00 to \$35.00 a week with a company four-room bungalow to rent at \$4.00 a month is no princely income. It ranges between \$1,200.00 and \$1,500.00 a year and is not unusual among mill workers. Mr. Heer estimates the average annual wage of the Southern cotton mill worker at \$671.00 in 1927.⁶ But there remains no doubt that it is sufficient to draw thousands of tenants, croppers, and small owners from their places on the land to the mill village. If the jobs were open and it were moving time in the Cotton Belt, these thousands would go tomorrow—so slender and so precarious are the returns from cotton farming.

⁴ U. S. Department of Agriculture, *Press Release*, Washington, April 11, 1927.

⁵ "Condition of Farmers in a White-Farmer Area of the Cotton Piedmont, 1924-1926," *U. S. D. A. Circular* 78.

⁶*Op. cit.*, p. 65.

One feels in surveying the field that for all practical purposes the limit to the supply of Southern labor forthcoming lies with the demand. There may exist no limit except that enforced by the industry in its ability to pay wages, to train workers, and to expand. Some of these abilities in the present situation may be seriously doubted, but all testimony indicates that if the industry once looks up and reaches out, the tenant farmers will be waiting at the gates for employment.

Of their population gainfully employed in 1920, North Carolina had 26.6 per cent in manufacturing and mechanical industries; South Carolina, 16.1 per cent; Georgia, 16.2 per cent; Alabama, 16.6 per cent; Tennessee, 18.8 per cent. And it will be recalled that of the area as a whole agriculture took more than 50 per cent of all occupational groupings. The barrier to industrialization of this labor supply is not economic. In competition with any urban industry paying a living wage the bonds of the plantation will dissolve and pour forth its tenants. If the small owner remains on the land, his decision will not be based on economic data; it will be, it is possible, on attachment to a mode of life and a psycho-social predisposition not to enter the mill village.

COTTON CULTURE AND THE QUALITY OF TEXTILE LABOR

The comment excited by the behavior and status of the Southern mill worker has tended to array itself around two stereotypes—both, in the judgment of the writer, inadequate for appraisal. According to those favorably disposed, we have here 100 per cent pure Anglo-Saxon labor. True, as far as the physical traits of the conventional Nordic go—but meaningless otherwise. To critics more caustic this group appears as the Southern “poor white.” True again in its economic implication, but meaningless if pushed much further. T. J. Wertenbaker⁷ has convincingly shown that the first aristocracy of this continent, the F. F. V.’s, descended from so-called poor whites, many from indentured servants on the make. No fact in regard to our mill labor of the South is so important as the simple one that here we are dealing not with an urban worker at all but with the transplanted Southern common man—transplanted, it is likely, from the one-horse cotton farm.

The question, then, that we have to answer here is one of culture. To what degree has the social-economic complex of cotton cultivation conditioned the traits and characteristics of these people?⁸ First, as has been pointed out, cotton demands and the folk-ways sanction family labor in the fields. Of the 1,084,128 women listed in the 1920 census of occupations as engaged in agriculture, 80 per cent were found in the ten chief cotton states. Practically 20 per cent of all females over ten years of age living on farms in these states were listed as field laborers. Out of every hundred women field laborers 68 were Negroes and 32 white. Compulsory school attendance laws are everywhere confronted with children chopping and picking cotton. Laws of many states provide for exemption from attendance of chil-

⁷*Patrician and Plebeian in Virginia*. Richmond, Va., 1910.

⁸Rupert B. Vance, *Human Factors in Cotton Culture*, Chapel Hill, 1929, Chapter X.

dren engaged in necessary or emergency farm work. The labor of women and children and the problem of school attendance thus accompany the family from the field to the mill.

Out of the Southern rural background one may expect a higher degree of mobility. A study by the U. S. Department of Agriculture in 1922 estimated a shifting of occupants on 19 per cent of all farms in the United States, 27.7 per cent of tenants and 6 per cent of owners. In eight cotton states, however, 30 to 40 per cent of all farms showed a change of occupants. Having nothing to lose, tenants are easily led to move by a desire to secure better land or more agreeable landlords. If his mill village house is furnished by the corporation, there exists no impediment to prevent his old habits of mobility from reasserting themselves. The results of a bad year that leave the cotton farmer in debt to his landlord and supply merchant may be cancelled by another move. Storekeepers in mill villages may meet this same attitude. The cotton renter, possessing by law no right in his tenancy and no claim for improvement made, has acquired a shiftless attitude toward the place on which he lives. This, at least, is borne out by the common complaint of landlords in the Cotton Belt of houses started on the road to ruin, fences torn down for firewood, and lands lacerated by erosion. Again, it is possible that these habits and modes of behavior may be carried into the mill village to the detriment of the mill houses.

In some strange way, arising perhaps out of the social-economic relationships, the traditions of the plantation have survived in white cotton tenancy. The supervision of landlords, supply merchants, and furnishers of credit over comings and goings, getting and spending, work routines and play routines of their tenants is felt possibly by both to be necessary as a guarantee that rent and living advanced will be repaid. Thus the mode of life throughout the Cotton Belt is characterized by a somewhat subtle paternalism, mingled with reciprocal relations of ascendancy and submission. These relations are much more easily maintained, it will be admitted, with Negroes on the plantation. The white tenant is liable to incipient passions of revolt against any too heavy hand of domination. It is noteworthy that resentment against landlords and furnishers carries the psychological refrain: "He can't treat me like a nigger." Landlords recognize this tendency of even the better white tenants to revolt against their status, and many of them prefer Negro tenants on the plantation because "niggers are easier to get along with." Here again are interesting antecedents to the mill village where paternalism, dominance and submission, and feelings of inferiority alternate with resentments at repression and revolt against status. It must, however, be left to the students of the new industrialism to point out the factors involved in the complex that is the mill village.⁹

Again the old plantation pattern lingers in what may be called the survival value of cotton tenancy. The cotton cropper, except for his labor, enters cotton production empty-handed; land, house, work stock, seed, and living are to

⁹ Harriet L. Herring, *Welfare Work in Mill Villages*, Chapel Hill, 1929. J. J. Rhyne, *Some Southern Mill Workers and Their Villages*, Chapel Hill, 1930.

be furnished. He becomes a first charge upon the industry and survives as a cotton producer, even though he fail. If the crop fails or the price of cotton hits bottom, the cropper has had his living and a house, poor as they may be. If the cropper cannot meet his store bill in December, his supply merchant may go bankrupt. If his crop produces no third and fourth for the landlord, the landlord may face ruin. But the one-horse cotton farmer, here or somewhere else, will on somebody's credit and somebody's land put in another crop next year. Like the Lord, the cotton system will provide. Here again is an interesting antecedent for mill paternalism. The cotton mill worker has proved a first charge on the industry. He expects to be taken care of. With mills closed, workers are allowed to remain in company houses rent free. Moreover, it is admitted that many mills have operated at margin and at a loss in order to give work to the village. Here again the student of our textile complex must tell us to what extent under paternalism survival is expected and granted in the midst of a competitive economy.

On the other hand, the definite contrasts between cotton culture and the cotton mill—the abrupt transition which the worker must cross—are no less significant. The seasonal work routine of cotton has peak loads of man labor at planting, chopping, and picking time, alternating with midsummer and winter periods of leisure. For this is substituted the routine of the factory system day in and day out with the pace set by whistle and machine rather than sun and season. The income from cotton is cyclical. After a season of deprivation and close living on niggardly credit comes the sale of the crop and cash income to be husbanded, if possible, until new credit relations are established. The cycle of cotton prices, varying from \$35.00 to \$150.00 a bale and from \$10.00 to \$60.00 an acre, has given the cotton grower such a shifting standard of living that habits of thrift and planning of budgets are well-nigh impossible. The one stabilizing factor in these gyrating periods of splurging and deprivation has been the semi-domestic economy of garden and pig pen. For this situation is substituted the weekly pay envelope of the mill and the money economy of the mill village. Again the student of affairs industrial must tell us whether we have certainty driving out uncertainty, installment buying and rising standards replacing cyclical income. One thing is certain: unless the mill keeps open the answer will not be affirmative. The basic diet of the cotton cropper is salt pork, grits, corn bread, and molasses, varied, it is hoped, with the product of his garden. Like the habits we have mentioned, he carries this diet with him to the mill village. First, because it is cheap and, second, because it has become habitual. Does he in his new environment fare better or worse? Does he, for instance, cultivate a little patch back of his mill house or does he live from can to mouth? This homely question is but typical of the many inquiries one needs to make of the process of industrialization as the Southern laborer moves from cotton field to cotton mill.

CONTEMPORARY ECONOMIC PROCESSES

FRANK P. GRAHAM*

As I stood the other day in Charlotte, North Carolina, faces and scenes passed in reminiscent and historical review before my eyes which told in vivid epitome the epic story of Southern recovery. I recalled the boyhood scenes of a small town long set in the midst of cotton farms, reaching back with great traditions into the life of the old South, and more recently set in the midst of cotton mills, reaching forward with high promise into the life of the new. This country town within a generation became a merchandising, distributing, banking, and communicating center for two states, the financial capital of a textile dominion, and the administrative metropolis of an electrical empire—the beautiful Queen City of the South!

The rise of Charlotte from a country town to an industrial metropolis is a typical episode in the rise of the Southern people from poverty to power. At the close of the Civil War, the Confederate soldier turned from scenes of defeat to go home to scenes of despair. But the call of a great tradition and the necessities of a wide desolation urged the Confederate soldier to his heroic task of rebuilding an overturned civilization. With his old technique he turned first to the farms, and with a new faith he turned to the mills.

One of these Confederate soldiers, twice cited for bravery, made his crippled way back to an old South Carolina plantation, then in ruins from the march of Sherman's men. With a diseased horse they had scorned, a cow they had missed, and the ashes they had left, the young man with the shattered thigh put his hand to the plow to begin life all over again. This student of chemistry and botany scientifically remade the old plantation, organized a store, established banks and cotton mills, a pulp mill, a cone mill, oil mills, built a railway, endowed a college, and became the inspirer of the agricultural, commercial, industrial, cultural, and spiritual renaissance of the people over a wide area, himself a brilliant episode in the Southern advance.

His sons and successors are carrying on his enterprises, the scientific diversity of which points a way out today for the stricken agricultural South. One of his sons, said by Mr. Hugh MacRae and Professor William E. Dodd to be the most scientific and the most beneficent farmer in America, recently spoke from a Charlotte platform to the great challenge of the agricultural depression and, himself, personifies the hope and the way of another Southern recovery.

It was logical that an agricultural statesman speak in that strategic city with a message of hope for the South. At that focal point of historic tradition, a wide agriculture and a rising commerce, there have, within a generation, converged in Charlotte lines of industrial development in the persons of Caro-

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lina farmer boys who became captains of great industries. The sheer facts of their rise to power are stated here by way of neither praise nor blame to illustrate the transition of the piedmont South from a dominantly agricultural to an increasingly industrial civilization.

We see a stalwart Durham County farmer boy, at work amid the desolation left in the wake of receding armies, go his relentless way of imagination and work from tobacco rows to Durham city streets, to Wall Street, and across the seas to a wider mastery. The farmer boy who once stood astride the tobacco rows in Durham County had, by a combination of combinations, constructed a business colossus which stood astride the oceans and dominated the tobacco markets of two hemispheres—another personal episode in the industrialization of a rural commonwealth. From Durham to New York, to London, to Charlotte are the stopping places on the ascending way of the conversion of tobacco profits into water power with all its tremendous economic and social consequences to our people.

While the Durham County boy was beating out tobacco on the log barn floor, a youth on an old South Carolina cotton plantation near Edgefield looked beyond agricultural scenes of desolation, dreaming of engines, industrialism, and recovery. From the South Carolina college to the Rensselaer Polytechnic Institute, to the Brooklyn Machine Shops, to the Bethlehem Steel Works, we find him on his way of preparation for industrial leadership in the South of his dreams. Above all the roar of power in that industrial center he heard the low voice of the rebeginnings of Southern industry. From the strident steel city he came back into the quiet midst of the agricultural South, to the little town of Charlotte nestling beautifully amid the piedmont hills. He came unannounced with a kit of tools and a youthful dream. That kit of tools and that youthful dream were to play their adventurous part in re-founding the structure of our Southern civilization. Both in advance of and in the wake of his industrial evangelism we see rising cotton mills, machine shops, oil mills, textile schools, and newspapers—all a vital part of the framework of a textile empire. Thus another line in the industrialization of the piedmont fetched up in this same city in the person of a boy from the farm who became the builder of an industry.

The lines of the life of another South Carolinian were to lead him from a farm to that city. As the W. O. Saunders story goes, a young engineer, not long out of the Citadel, stood one day along the banks of the old Catawba. For untold ages that river had been a sort of band of power between the mountains and the sea with no human recourse to the white coal swept away in its swift currents. As the young engineer watched the waters tumble over the falls and go their magnificently wasteful way to the sea, he was in his imagination backing up the waters and building power plants. He committed the picture in his mind to blue prints. This paper work of his surveys and draftsmanship became, under the dynamic touch of tobacco profits, the mechanical framework of power plants and transmission lines, flung from steel tower to steel tower as they marched in majestic columns from the power hills through the forests into the valleys and across the new industrial plains.

The little copper wires carry more and more of light and leisure into the homes of the people, and include more and more of the tobacco factories, furniture factories, cotton mills, and railways within their dominion of energy and power.

The story of these three Carolina farm boys, who variously went to Charlotte as captains of industry, are episodes in the piedmont transition which becomes increasingly significant as we watch the rise of the figures of industrial production in North Carolina: in tobacco manufacturing from \$700,000 in 1870 to \$13,000,000 in 1900, and \$413,000,000 in 1927; in cotton manufacturing from \$1,000,000 in 1870 to \$30,000,000 in 1900, and \$425,000,000 in 1927; and in furniture manufacturing from \$67,000 in 1870 to \$1,500,000 in 1900, and \$53,000,000 in 1927. These figures are the deposits of work of hundreds of thousands of people, express the momentum of the energies of a risen people, and are concretions of the fact that in piedmont Carolina we are in the midst of the swift course of the rise of industrialism.

The industrial revolution has come to North Carolina. No citizen in this commonwealth is outside the range of its consequence. Its responsibilities are a part of our citizenship. We are not the people to shut our eyes to the lessons of the written records of industrial history and blindly repeat the economic wastes and human tragedies of a hundred years.

I

The tides of time and the currents of American history have joined in depositing four working principles, available for our guidance now, in making the necessary adjustments to the changes involved in the resistless sweep of the industrialization of a rural state. These working principles are implicit in the ideas and practices tested by the experiences of the western democracies in the hundred and fifty years since the power engine let loose the forces which have rearranged the structure of the modern world. On the preservation and adaptation of these tested working principles turns today the search, in an industrial society, for that freedom of personality and equality of opportunity which this commonwealth was founded to win for all our people.

The first of these is the human ideal and American principle of liberty. We came into the world as an infant republic with liberty as the birth cry of our Americanism. Americanism, by being true to itself, can prevail over any subversive alienism. A free people have no cause to fear the dictatorship of any class. The fear of no economic theory, however fallacious, and of no social philosophy, however hateful, can, I believe, terrorize us into the overthrow of the Anglo-Saxon tradition and the American principle of lawful freedom of speech and assembly which our revolutionary fathers, over a century and a half ago, wrote into the American Bill of Rights. We can not, as Americans, deny these constitutional liberties to any persons on the free soil of America. If any person, by license or crime or abuse of freedom, violate the law, then the American way is not recourse to mobs and terrorism but to due process of the law of the land. The test of the

Bill of Rights is its application to those whose ideas we despise the most.

Americanism grown on this soil is not a frail plant that must be falsely protected with terrorism by those without faith in the depth of its rootage or the robustness of its timber. Its roots are deep in the teachings of our religion, in the traditions of the race, and in the ideals of our country.

Jesus did not teach us to destroy the headquarters of those who agitate in an alien cause. He did not teach us to kill a chief of police answering a call in the line of duty, whose first words were those of friendliness. He did not teach us to shoot down on the public highway a woman who attempted to attend a meeting whose principles we opposed. Rather he said, "Know the truth and the truth shall make you free." He met fallacy with understanding and hate with his great love. The wise Gamaliel sought to calm his violent-minded colleagues in the Sanhedrin, who feared the subversive power of new and fervent agitators, in these wise and reassuring words, "If this counsel or this work be of men, it will come to naught; but if it be of God, you can not overthrow it." John Milton, in the midst of a bitter public controversy over the threatened suppression of free speech and free opinion, wrote, "Believe it, Lords and Commons, they who counsel ye to such a suppressing do as good as bid ye suppress yourselves. . . . Give me the liberty to know, to utter, and argue freely according to conscience above all liberties." Thomas Jefferson said, in summation of the bitter fight in Virginia for liberty of opinion, "It is error which needs the support of government. Truth is great and will prevail, if left to herself. . . . She is the proper and sufficient antagonist to error and has nothing to fear from the conflict."

The heroic souls who have fought and even given their lives for the freedom of the human mind made no reservations against the free conscience of those whose ideas might be hateful to us. False leaders may trade in the temple of human freedom for a while, but the faith and insight of a misled people will prevail in time over betrayal within and repression without. In the cause of freedom of opinion and freedom of assembly spiritual heroism shines out all along the way of the human pilgrimage. The stake, the scaffold, the Bastille, the six repressive acts, the Carlsbad decrees, the Peterloo massacre, demolished presses, and all other symbols of repression but emphasize the unconquerable aspiration of the human spirit for a freer and a better world. Idealism does not cringe before power. Repression gives ideas a wider expression. Repression is the way of frightened power; freedom is the way of enlightened faith. History teaches beyond the denial of bigotry or the sneer of cynicism that the answer to error is not terror, but the cleansing power of light and liberty under the law. The guarantee of freedom is the guarantee of law and order, is the safety valve that relieves the urge to violence and translates the revolutionary impulses into processes of the law and the constitution.

The State of North Carolina that refused to ratify the Federal Constitution until the Bill of Rights was made a part of its fundamental provisions is not the commonwealth in which, thanks to the North Carolina press and

Governor Gardner, a denial can long be made of the due processes of law in behalf of the civil liberties of the most lowly or despised person who breathes in North Carolina the quintessence of that American freedom declared for in the little town of Charlotte one hundred and fifty-five years ago.

II

Both a product and a source of freedom is the freedom of human beings to organize in behalf of their liberties and their life interests. One test of freedom is the equal freedom of organization. We came into this world as a nation through the organization of thirteen separate colonies into the United States of America. We fought the Revolution for the recognition of that federated organization.

This freedom of men to organize into autonomous and federated groups has been won in long struggles in the fields of religion, politics, commerce, and industry. The power of the highly organized Roman Empire was used to strike down the unrecognized and despised organizations of the early Universal, and all in all the most beneficent organization in history. Then the Christians, but the little congregations of lowly believers became the Church church, in its turn of predominance, tried to thwart the rise to power of the new autonomous national political organizations within the papal dominion. Then the new national monarchies, having become intrenched in independent power, sought to check the rise to increasing power of the autonomous organization of the people's representatives in Parliament, but Parliament won its struggle for collective bargaining and a written agreement in the English Bill of Rights which, since 1689, has been the charter of constitutional government for all who treasure the traditions of the English-speaking peoples. Then the Parliament of England, having become the stronghold of the commercial middle class, prohibited working men from organizing in behalf of their interests in the working life. The freedom of autonomous organization, won in the religious and political fields in seventeenth and eighteenth century England, was to carry over into new regions of power and control over men's lives centering in industry.

The seventeenth century is the century of the English migration to America. Two of the movements under way in England in that century are of far-reaching significance to America. In the early seventeenth century a little group of lowly people had the audacity to think that they had the right to organize without authority of king or bishop. That a handful of people could of their own initiative meet in a stable, or anywhere, and organize a church was treason. So these simple, deeply religious people were persecuted, put under the ban of the police, made social outcasts, and harried out of the land. After many vicissitudes we find this little group of people still clinging to their ideals of piety and autonomous organization on the wintry shores of Massachusetts, where their spiritual heroism made Plymouth Rock one of the foundation stones of Congregationalism and a symbol of self-government in America.

One year before the Pilgrims reached American shores Sir Edwin Sandys, treasurer of the London Company, itself an expression of a new form of autonomous commercial organization, led a movement in the London Company to grant the right of an autonomous representative assembly to the settlers in Virginia. The less far-sighted business men said it would ruin the enterprise to give these hired hands on the James River the right to share in the regulation of the conditions of life and labor there. But the idealism of Sir Edwin Sandys prevailed over the fears of the more practical business men. Thus the first representative assembly in America was born. The democratic idea of autonomous political organization as federated in the American Union, whose standard was first raised on the banks of the James River in old Virginia, now flies its flag over all the western world.

It was historically logical that this democratic idea of autonomous organization which found expression in the fields of religion and politics should also find expression in the fields of commerce and industry. The great commercial revolution of the fifteenth and sixteenth centuries released economic and social life from a comparatively static local self-sufficiency to a dynamic world interdependence. The rise of capitalism liberated the serf from the soil, overthrew feudalism, utilized the savings of men anywhere for enterprise around the world, and created the new commercial middle class.

In the old order of nobles, clergy, and serfs there was naturally little provision for the new commercial middle class. Yet much of modern history turns upon the interactions between the persistence of the old order and the rise of the new middle class. Those great dynamic movements from the Renaissance through the French Revolution are in considerable part the work of the new capitalists and capitalism, whose management and energies have made over the western world. Their joint stock companies and corporations, unprovided for in the old feudal order, became decisive factors in the new commercial order, and became the vehicles which carried European civilization and power to new continents in the West and to old continents in the East. Consequent upon the daring and vast enterprises of the new capitalists, there evolved upon the groundwork of the old merchant law a new code of commercial law which protected the interests of the new commercial group, put restraints upon their power, and guaranteed the rights and usefulness of the new commercial companies as agencies of corporate enterprise and collective bargaining in the expanding markets of the world.

To meet the great human needs in this world of widening markets and corporate enterprise the power engine came and wrought the great industrial revolution, which brought into history new industrial groups. So one clue to the understanding of the history of the nineteenth and twentieth centuries is the long, patient process of social and political adjustment to the rise of the manufacturers and the factory workers. Under the rotten borough system there was little or no provision in England for the new manufacturers to share in political power on a basis of equality with the old merchant group and the older landed aristocracy. But the power and the

usefulness of the manufacturers, joined with the logic of the democratic idea, gave them eventually a share in political control.

These capitalists in their industrial life, through their organization into corporations, immediately inherited not only the corporate framework but also the commercial code which had been developing in Europe for several centuries. The factory workers, new to history, found themselves without the inheritance of any form of organization or any industrial code. The craft guilds, long since dead, and the later sporadic organizations of journeymen were both unsuited to meet the needs of machine tenders. Groping around for a form of organization, they soon found themselves forbidden to join the new labor unions; those who persisted in joining were driven into hiding and hunted down by the law.

The struggle of industrial workers to organize and win the recognition of legislative bodies, the courts, and the corporations is the latest chapter in the democratic struggle of human beings for autonomous organization around a great life need. This movement of the working people against great odds to win a simple share in the control of their own lives is one of the great human movements of the last century.

Workers, who once worked with great skill through the entire process of creation in their own cottages with their own tools, had, by the logical processes of the industrial revolution, lost the need of the old craftsmanship, lost the ownership of the tools and the place of work, and lost the creative satisfaction of skilful control of the whole process. The movement of working people toward organization, with all its defects and failures, is a movement for a compensating human share in the control of the terms on which they subject themselves to and coöperate with the marvelous processes of modern industry. Industrial statesmanship has no greater responsibility or opportunity than working out the basis and the structure of this creative coöperation in industrial production with just recognition of the value and rights of capital, management, and labor.

Basic to this new constitutionalism in industry is the principle of collective bargaining, which recapitulates the historic principle and democratic idea of autonomous organization in the field of industry and which is now established in all parts of the civilized world. Just as the American principle of liberty guarantees the freedom of individual capitalists and individual laborers to organize or not to organize, so the American principle of equal rights makes it logical that, if a group of capitalists organize and bargain collectively through a corporation, corresponding groups of workers have the equal right to organize and bargain collectively through a labor union. The principle of collective bargaining, which is at the center of the democratic movement in its latest phase, is resourced in the very springs of American democracy and will test the sincerity of our faith in the American idea.

Listen to representative Americans as they speak clearly on the issue. Theodore Roosevelt, while President, said, "I believe emphatically in organized labor. Organization is one of the laws of our economic and social development." President Taft said, "I fully approve of the principles of labor

unions. I believe they are essential in creating a state of equality between employer and employees. Collective bargaining with all reasonable corollaries should be freely granted." President Wilson said, "Government must recognize the right of men collectively to bargain for humane objects." President Hoover once said, "The refusal to participate in collective bargaining with representatives of the employee's own choosing is the negation of the bridge of better relationship." Chief Justice Hughes, while Secretary of State, said, "I trust there will be no more futile opposition to the right of collective bargaining." Governor Smith, John W. Davis, the National War Labor Council, the National Catholic War Council, the National Industrial Conference of Christian Representatives, the group representing the public in President Wilson's Industrial Conference, including leading manufacturers such as John D. Rockefeller, Jr., and many representative bodies of the Christian Churches, have declared for the justice and the value of collective bargaining in industry. Declarations for this principle are standing planks in the national platforms of both the Democratic and Republican parties. Strange as it may seem, such a simple view as quoted above from Roosevelt, Taft, Wilson, Hughes, and Hoover, and as declared for by churches and political parties as a matter of fair play and the traditional essence of Americanism, is confused with communism in some parts of America in the twentieth century! This equal freedom to bargain collectively is a part of the historic democratic process, and despite abuses on both sides, when coöperatively recognized and intelligently promoted, becomes economically productive, democratically stabilizing, and humanly valuable.

III

This great principle of freedom of conscience, speech, assembly, and organization, denied in the several parts in successive historical periods, has been won in the religious, political, commercial, and professional life, and is being won in the last sector of the working life. But this freedom carries with it the responsibility of intelligence and enlightenment. Freedom and democracy make necessary an informed public opinion. Light is a condition of liberty under the law. Understanding is the resource of an orderly democracy. We not only need historical perspective with its clear lessons of the patient processes of history but also an analysis of the contemporary processes of social adjustment to the industrial advance. Fact-finding is a part of the technique of self-government.

In all the most progressive industrial nations a constant series of studies, surveys, and analyses of the economic, social, educational, and religious life have been made by the organizations most concerned, by legislative hearings, and by governmental commissions of experts. Royal commissions have made studies of first one industry and then another, not, as the unhistorical-minded charge, to attack the industry but to diagnose its condition and build it up. President Hoover, up against the difficulties of a low swing of the business cycle, despite our impatience has recourse to fact-finding by commissions of experts.

One of the most successful textile manufacturers in the nation petitioned President Hoover last November for an expert study as a basis for crystallizing public opinion on the side of the textile leaders who have tried to bring about voluntary concerted action within the industry looking to the intelligent reduction of hours and the gradual elimination of night work for women and minors. Many of the far-seeing and successful textile manufacturers consider that the now chronic sickness of the industry is not beyond diagnosis and cure. The Southern textile industry with all its natural advantages of proximity to the cotton fields, abundant power resources, and climatic factors in the cost of living, does not need to resort to such economically and humanly wasteful practices as long hours and night work for women and minors. More than one textile manufacturer has said that the thing that is needed to save the textile industry from further steps in self-destruction is an intelligent public opinion that will stimulate either concerted action within the industry against, or legislative prohibition of, policies contrary to business interests and human welfare. An analysis by competent experts should be helpful toward both of these ends.

The fact that many Southern church organizations and civic groups have declared for the value of such a study does not mean that it is their disposition to single out the textile industry for hostile attack. The textile industry has been singled out all over the world for consideration and discussion as incident to the day's news. Its sickness has been dramatized in the headlines in a most tragic human way. Its low wages without regard to even lower competing wages in other industries and lower standards of living outside and near-by the industry; its night work for women and minors and its long hours in certain tragic cases, misrepresentative of the industry as a whole, have stirred the social conscience of large groups of the American people. The intelligent answer is a study by those most competent to make it by an appointment of the President of the United States.

The two most hopeful moves made since the Kendall proposal to Hoover last November are, first, the present effort of President Sloan of the Cotton Textile Institute to win voluntary agreement within the industry to a maximum day week of fifty-five hours and a maximum night week of fifty hours, and, second, the assembly of governors of the Southern states at the call of Governor Gardner for conference on the textile depression and unemployment. If these efforts fail, then the basic nature of the industry, its indispensability to our life and welfare, and its chronic sickness, make even more needful a nation-wide and non-partisan economic and social diagnosis by a presidential commission of experts as a basis for further attempts at enlightened action within the industry and by the several states.

Some of the questions such a commission of experts could helpfully consider are:

(1) Would the industry find a way out of its chronic sickness and present chaos through vertical combination and the integration under one control of the successive functions of the manufacture of cotton on the way from the bale of cotton to the bolt of cloth in the wholesale market? Dr. Claudius T.

Murchison, from theoretical analysis, and Mr. H. P. Kendall, from successful business experience, say yes; others say no. The testimony and analysis of other experts would be helpful.

(2) To what extent do the mills of North Carolina and South Carolina lose their advantage of proximity to the cotton fields by the fact that our farmers have not yet learned to cultivate the indispensable long staple by using better seeds and cultivation? A member of the staff of the United States Department of Agriculture recently reports that North Carolina raises on the average 1,000,000 bales, ships out 300,000 bales, and imports 500,000 bales from the Mississippi Valley and the Trans-Mississippi West. Cleveland County long staple, raised partly under the stimulus of the farmer-manufacturer O. Max Gardner, is an example of the value of the proximity of cotton mill and long staple cotton to both the farm and the mill.

(3) In addition to these costs of an antiquated business organization and of antiquated cotton planting, to what extent is antiquated machinery a factor in the textile pathology? A successful manufacturer has said that there ought to be a replacement of a million spindles a year in Southern mills.

(4) To what extent is overproduction a factor in the depression? What are the relations of the style of wearing fewer and shorter garments, the substitute fibres (rayon and silk), the undemobilized war capacity, long hours, and night work to this overproduction?

(5) What, if any, is the relation of any of the following to the decline of the New England textile industry: social legislation, unionism, old machinery, absentee and trust ownership, distance from raw materials, and wage differentials?

(6) Does an industry in a region of high social regulation dodge social responsibility by moving into a region of low social regulation, or does industrial history show that social legislation follows closely upon the heels of any large industrial migration?

(7) What is the best way to secure fair and uniform regulations: from within the industry, by the several states, or by federal legislation?

(8) What are the optimum points in the economic and social coincidence of the needs for the reduction of hours and the gradual elimination of night work for women and minors?

(9) What are the best methods of educating public opinion so as to make impossible any such ill-advised legislation as recently proposed in a textile state to make forty-eight looms or any fixed number the maximum for one weaver, irrespective of differences in technical or working conditions? Would not the expert study itself be a step in such education of the public and be the most intelligent approach to the introduction of such new applications of scientific management as the labor-spread system?

(10) Has industrial paternalism, which arose out of local conditions and attitudes to meet great social needs, further usefulness or should paternalism gradually give way to a more self-reliant individualism in community self-government?

(11) To what extent is the industrial situation conditioned by the agricultural? Some studies by Dr. Clarence Heer of the Institute for Research in the Social Sciences at Chapel Hill, N. C., show that wages in the unskilled and semi-skilled Southern industries are below the national rates in those industries, and that textile wages in the South are higher than agricultural wages and are also higher than wages in other unskilled and semi-skilled industries.

(12) Does the agricultural depression, with its more distressing social consequences, relieve the social concern for the industrial depression, or does the acute agricultural unemployment make more necessary social legislation against low standards of competition for that over-supply of labor?

IV

The Southern agricultural situation brings into focus the fourth historically vindicated working principle, namely, social legislation as a way of adjustment to industrial change. The making of these rules of industrial sportsmanship is a responsibility of industrial as well as political statesmanship. The present well-nigh impossibility of the successful organization of large bodies of working people in the South, without the consent of the business management, places a great social responsibility upon the owners and managers. To an observer of historical processes it would seem the part of long-run wisdom for the business management not to oppose the coming of the American Federation of Labor but to encourage the best and most intelligent leadership to develop from within the local labor ranks in the spirit of coöperation in more efficient production.

The agricultural depression and consequent temporary over-supply of labor, the mechanization of the farms making more laborers permanently available for industry, the mechanization of industry making fewer laborers necessary, and the effect of some instances of unintelligent leadership of the unskilled and semi-skilled workers in the South, all tend to make successful organization depend now upon the consent and encouragement of the business management. The momentum of the democratic idea and the slow-moving historical processes would indicate the certainty of organization sooner or later. Our attitudes now will determine somewhat the character of the leadership and the spirit and the methods with which the organization is carried through them.

This power to block the organization of workers, due to the juncture of many circumstances, carries with it a great social responsibility. This very frustration makes imperative legislation. English history shows that, without the checks of either labor organization or social legislation, the least scrupulous competitors took advantage of the over-supply of laborers to drive down the plane of competition to such levels as to threaten industry at its human source.

When the power engine came in England and, in its resistless course, rather suddenly dislocated the whole economic and social structure, the Eng-

lish people were caught unprepared and without a precedent for social guidance amid bewildering changes. They found themselves in the presence of the new dynamic power of steam and machines, with all their potentiality both for tremendous industrial production and for social advancement of the standards of living of vast bodies of people. Without knowledge of the human implications, the people of England tried the way of unregulated freedom. They found, after a time, that the economic and social advance was made at great human costs to large bodies of the working people. A fierce, lawless competition drove the standards of the working life down to degrading levels. In the midst of mounting figures of vast production and astounding prosperity, the rulers of an empire forgot the depleted human beings who did the industrial work, forgot the exhausted mothers and the sordid homes where children were born and where was cradled the future of the empire.

In defense of the very sources of human life, where was renewed the English race, and in defense of the commonwealth itself, the people of England slowly rallied where enlightened manufacturers led the way against the social treason that flaunted the flag of freedom. Enlightened manufacturers, organized labor, and statesmen made their now historic battle against the great odds of wealth, prejudice, and intrenched privilege. Lord Shaftesbury became the rock against which the tides of honest fear and misrepresentation rolled in fury and power. But he stood his ground and after slow years made his case for economically sound and socially wise legislation.

The English people in the seventeenth century, out of the power and problems that came to them in the great commercial revolution, turned to that great rules-making conference, the Parliament of England, as their rallying center against a king who said he was above the law. In the great Bill of Rights they laid down the terms on which kings could rule in England. The English people in the nineteenth century, out of the power and problems that came to them in the great industrial revolution, turned to their legislature to regulate the lawless power of the new industrialism. They laid down the terms on which great corporations could do business in England in a great social code of industrial sportsmanship.

Against such regulation the same honest arguments were made in England in the thirties and forties, in France and Germany in the later decades, and in New England in the seventies and eighties, and so on across the continent. Without learning much from the experiences of the people who had been through the transition from handicrafts to machines and from lawlessness to social control, each new industrial people has, almost independently, discovered the necessity of social legislation—or factory legislation, as this form of social legislation is also called. They have learned their lessons from bitter experiences in economic waste and human tragedy. The same arguments, used against social legislation in England in 1840, have been independently used to stay the advance of social codes as they have logically and humanly evolved out of economic and social necessity in the wake of

the march of the power engines around the world. These identical arguments are now being used in the many American states new to industry on a large scale.

Since they will yield their preconceptions and theoretical logic to the logic of facts, experience, and a larger social necessity, it is well to re-list these arguments here:

1. Social legislation destroys the freedom and the initiative of the individual. On the contrary, it has been found not to destroy but to regulate and preserve this freedom and initiative for a larger number of people.

2. Social legislation with regard to women and children violates the sanctity of the home. Actually, legislation in behalf of children and against night work for women and minors is a safeguard of home life.

3. Reduction of hours promotes idleness and dissipation. As a matter of experience, physiological tests have proved that long hours at routine work make for dissipation as a relief from monotony and fatigue.

4. Profits, it was argued, came from the eleventh and twelfth hours of the day's work. It has been found that a reduction of such hours did not reduce production in the long run.

5. Legislation imposes an unfair handicap in competition with nations or states with less regulation. It has been found that higher standards of work and efficiency and better morale more than offset this handicap. Business men in Parliament who had been strong opponents became staunch champions of the very legislation they had bitterly opposed.

6. Legislation will drive industries from England to France, from Massachusetts to North Carolina, or from North Carolina to Texas, as the case may be. English industries did not go to France but France, through experience, came to the English code. Industries do not dodge legislation, but legislation follows industries as a matter of experience and social well-being.

7. It is said in a summary way that legislation destroys industry and kills the goose that lays the golden egg. Industrial history shows that the most highly regulated industries become the most economically and socially productive.

But it is said, "Look what social legislation did to old England and to New England." As for old England, we might recall in this time of England's dark economic hour that social legislation was an accompaniment and one basis of Britain's commercial and industrial supremacy and prosperity for nearly a hundred years. Her economic plight today, based primarily on factors that transcend social legislation, is largely a matter of world economics with regard to textiles, iron, coal, oil, new mechanisms, and the war costs. The cotton textile industry, in addition to all the problems of style changes, substitute fibres, over-development, is in the terrible predicament of finding that its foreign market, constituting 65 per cent of the whole, has been ruinously cut into by the rise of new cotton factories on the continent, in India, China, and Japan. Its iron and steel industries, so long dominant, have for some time been yielding to continental iron and steel industries and to the American industry resourced in the Mesaba range with

its incomparable ores in the open pits. British coal is being supplanted in the French and Italian markets by the white coal of the Alps, the Pyrenees, and the streams of the Apennines and the Massif Central. The coal of South Wales, that once supplied the bunkers for world commerce, is receding before the advance of the oil burners upon the seas. Antiquated machinery and an antiquated business organization (which needs more, not less, regulation in the interests of a more efficient and economic production) contribute their part to the sad plight of the British coal industry already laid low by oil upon the seas and snow upon the Alps. In shipbuilding, Britain, a nation of steam traditions, is yielding some of her preëminence to the superior Diesel engines of several continental shipyards. Diesel engines, oil, *houille blanche*, Asiatic cotton factories, American coal and iron, and the crushing war burden have all combined to strike British industry terrific blows. Her present population is too large for the present organization of her resources and production. All the mechanical and social ingenuity of the British people is needed to work out of their present plight. Without social legislation and sane, intelligent labor leadership, it is conservative opinion that Britain would, in her present economic plight, long ago have gone the way of economic ruin and revolution.

Now as for New England, also pictured as going into decline on account of labor unions and social legislation, we find in a study made by the New England Council of Business Men that only two industries are slipping, the textiles to the South and shoes to the West. Cotton, new machinery, and a milder climate are in the South, and the cattle ranches and leather are in the West. Though New England once made over fifty per cent and now makes only thirty-five per cent of the shoes worn by Americans, New England makes more shoes than ever before in her history. Over a ten-year period all other New England industries show remarkable expansion. According to the findings of these business experts, as reported in the St. Louis address of Mr. H. P. Kendall, in thirty-five divisions of manufacturing New England contributes one-fourth of the entire national production. In twelve lines the manufacturers of New England total more than the whole remainder of the nation. Her primary horsepower is one-eighth of that of the country. Her per capita savings are \$530 as compared with \$322 for the nation. This two per cent of the territory of the United States has ten per cent of the manufacturing establishments. The raw materials from three hundred foreign nations are mobilized for her factories and shops. With half the farm area and fewer workers, New England farms are making twice the production of fifty years ago. Her bank clearings, power consumption, and exports are going up, not down. New and highly profitable industries have come and are coming into New England since the passage of this alleged hurtful social legislation. The highest grade industries, with due regard for all factors, seem to seek a highly regulated area of intelligent social legislation, universal education, county-wide libraries, and high standards in the working life. Social legislation, we find, follows in the path of industrialism not only as a social necessity but also as a positive economic and human good.

In recognition of this fact, twelve committees representing the research and thinking of over one hundred North Carolina citizens, well known in the state and expert in the several fields, reported to the North Carolina Conference for Social Service at its eighteenth annual session in Charlotte, April 13-15, the results of their studies with recommendations for action and legislation, which, when carried through, would constitute a new social code for North Carolina. For the committee on industry Mr. Kemp D. Battle, the chairman, recommended the reduction of the sixty-hour week to fifty-five, the gradual elimination of night work for women and minors, the elimination of the fourth-grade clause in the state child labor law, a general survey of the working conditions of women and children, and coördination and reënforcement of provisions for inspection and enforcements under an appointive head. On this committee of nine were two of the most successful, clear-headed, open-minded, young textile manufacturers of the state. The chairman himself, one of the ablest and most historical-minded lawyers in North Carolina, is a director of and attorney for the oldest cotton mills now operating in the South, which have been owned by his family for over a hundred years. He spoke with sympathetic understanding of the difficulties of the management of the textile industry in its present plight. The proposals of his committee are so fair and clear-cut, and so economically and socially sound, that they have already won the enthusiastic support of a large and growing body of public opinion. The two-year studies and analyses of the Battle committee and the twelve other committees are simple expressions of the fact that a considerable group of North Carolinians envisage the whole and various life of the commonwealth. By careful study they are trying to be intelligent about the economic problems and social responsibilities of the agricultural depression and the industrial revolution in whose perplexing midst they now find themselves.

We get glimpses of their work as we hear Battle strike at the evils of long hours and night work for women; Mrs. W. B. Waddill, J. J. Phoenix, and M. L. Kesler present the case for a children's code; Dr. E. W. Knight, the standards for better schools; Judge York, a realistic study of the workings of the juvenile courts in seventy counties; Mr. A. W. McAlister and Dr. Wiley Sanders on the relation of youth and crime; Mrs. O. J. McCoy, Miss Frieda Heller, J. T. Ashby, Miss Anne Pierce, Mr. Beale, Miss Ollie Alexander, on the recent victories looking toward county-wide libraries in Mecklenburg, Davidson, Union, Gaston, and Surry; Dr. Frederick Taylor on the relation of diversified farming to a more balanced diet and better health, and Mrs. Elise Mulliken's story of Mrs. F. D. Winston's enterprise in converting the Bertie county jail into a community hospital; Mr. N. C. Newbold, Miss Clara Cox, Rev. Harding Hughes, and Miss Anne Pierce, the progress of the Negro people with regard to schools, state institutions, transportation facilities, county-wide and Rosenwald libraries; William Polk, Struthers Burt, J. S. Holmes, and Mrs. J. H. Anderson, a vivid tale from the front in the war on ugliness sprawling all along our naturally beautiful highways; Professor

Harold Meyer for the committee on a recreation program; Dr. Frederick Morrison and Dr. A. S. Keister, an analysis of our tax structure; Mr. Frank Capps, the set-up of a rural social code.

Standing on the facts as they find them, without recrimination but seeking to understand those who misunderstand their purposes, they look with hope into the face of all the winds that blow. By pegging away a little here and a little there, these quietly studious but resolute North Carolinians will gradually and intelligently translate their research and their dream into the pattern and substance of a commonwealth old in history but as young and fair as the hopes of the children of all her people.

The spokesman for the committee on agriculture was Mr. Hugh MacRae, whose relentless economic analysis was the by-product of a quarter of a century of scientific farming and hard thinking about the foundations of our economic life. Some weeks ago he organized for the whole South a group of fact-finding and hopeful Southerners of the calibre of D. R. Coker, E. C. Branson, J. W. Harrelson, and S. H. Hobbs, Jr., for regional planning toward the rebuilding of old commonwealths between the Chesapeake and the Gulf. The twelve North Carolina committees, the Atlanta committee, the New England Economic Council, and the Southeastern Economic Conference, organized by Governor Gardner at Asheville on April 28, and, on a national scale, the Cotton Textile Institute, are, in various but not conflicting ways, efforts to achieve a more human, balanced, and productive life.

The states of the piedmont South have come to grips with all the mighty possibilities of the industrial revolution. The people of this section have the opportunity to make a joint and wise utilization of their geographic, economic, education, and human resources in coöperation with its marvelous mechanical energies.—Through the very value of intelligent social regulations and high human standards the piedmont South can give attractive economic and social welcome to highly skilled, highly waged, and highly productive new and diversified industries. The lists of crops and industries still missing from our economic structures are appalling. Clear-headed, scientific, humanly disposed men and women in the South from within the industries and from within the commonwealths are pounding away at such fundamental things as pedigreed seeds, engineering skill, balanced production, scientific marketing, and economic diversification. Diversified agriculture, supplementing staple crops, and diversified industries, supplementing basic manufactures, and nine-months' schools and county-wide libraries, supplementing both, make up the groundwork upon which to build nobler commonwealths in the risen South.

In this region of the Old South, where human slavery made its last stand in the modern world, industrialism makes fresh beginnings on virgin soil. We have the lessons in the tragedies of one and the opportunities in the power of the other to make a contribution to the cause of mankind and the history of civilization, distinctive and rich in a deeper sense of human personality and social relations to be worked out on the basis of justice by a friendly folk who live under the Southern sun in a pleasant land between

the mountains and the sea. We have the opportunity not only to install the new machinery seen on all sides and to utilize the new technique of our agricultural and engineering colleges, but also to make real nobler human attitudes than have yet characterized the history of industrialization in either Europe or America.

We stand at the gateways of industry through which increasing thousands of our people and mounting millions of our wealth will pass for the potential production of a fairer life. Out into the waste places and up the hillsides move the mills and factories with creative power. Down from the mountains, the rivers come rushing with the power for the electrification of our civilization cleanly charged with something more of the good life for all our people. As we do our day's work and dream our dream that the farms and factories, printing presses and dynamos, schools and churches will all join in the building of a more economically productive and spiritually beautiful civilization, we will place in the center of it all, not mechanisms but personality, not products but spirit, not the dividends of today but the children of tomorrow, for theirs is the kingdom that is at hand. It is for the child, after all, that we build in the stuff of human life for the America of tomorrow. No American pioneer who stood with axe or rifle along the fringe of the unconquered wilderness ever faced an adventure more thrilling than that which calls to us of the field and shop, the school and the press, as we stand today with inquiring minds along the frontier of the vast possibilities of our yet unmastered civilization.

THE PLACE OF COLLECTIVE BARGAINING IN OUR MODERN INDUSTRIAL LIFE

WIRTH F. FERGER*

When one starts to study an industrial situation it is quickly evident that two points of view must be considered, and, as far as possible, harmonized. There is, on the one hand, the immediate question of what should be done here and now in the detailed situation as it is encountered. What is the best policy as a matter of immediate expediency? But there is also the question, fundamentally more important, of deciding the guiding principles in the light of which local decisions must be made. We must formulate the general aims of our industrial society, and the possible and most desirable methods of bringing these about. This formulation of broad and basic principles which should guide industrial development must be based on experience much wider than that possible to be seen in any single situation. Experience in other similar difficulties, where these have been satisfactorily solved, is especially valuable.

The only justification for forsaking a basic principle in the solution of an immediate and local problem is the recognition of another broad principle which, in the particular circumstances, is contradictory to the first and which for the moment must be judged to be of more importance. This might be illustrated by the yielding of all other aims during the World War to the one purpose of winning the war. Perhaps a better illustration took place in Washington recently when President Green of the American Federation of Labor promised President Hoover that for the present no wage increases would be sought by labor.

In solving individual problems basic principles must not be ignored but must constantly be kept in mind. It is the purpose of this paper to deal with one of these basic principles—that of collective bargaining—and its place in our present industrial life, especially as related to present conditions in this state.

The word "bargaining" has a militant connotation which might be deprecated by sincere and social-minded students of industrial problems. I hope in the latter part of this paper to point the way to a more ideal solution. But the fact remains that there is a conflict of interests between employer and workers, as well as a harmony of interests. Both can obtain increasing returns only as the total net product is increased; but the product must be divided, and wages detract from the share remaining to the owner.

I shall define collective bargaining as the determination of all the conditions of employment—wages, methods of payment, hours, working conditions, etc.—in a plant or group of plants, by the joint negotiation of an employer or a group of employers with an organized group of workers, both parties to the

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negotiations being represented by agents of their own choosing without restrictions. The significance of several of these phrases will appear shortly.

I do not desire to discuss here whether the workers' organization should be a narrow craft union, an industrial union, or a broader labor union to include all workers. The principle is that to be fully effective the organization must be coextensive with the labor market concerned, to include all possible competitive groups, and as wide as the organization of employers. I shall use the term "trade union" to include all types.

Many types of activity besides collective bargaining are often carried on by unions. These functions include, among others, mutual benefit activities, sickness, life, unemployment, and old age insurance schemes, and employment agencies. These functions are, however, distinctly supplementary to collective bargaining.

Now, as to the philosophy of trade unionism and collective bargaining:

Trade unionists point out that in individual wage bargaining the worker is at an immense disadvantage as compared with his prospective employer. *The essence of free negotiation and bargaining is the ability to exercise choice as to putting a commodity or service on the market or withholding it.* Under individual bargaining the worker's waiting power is seriously limited—personal services must be sold today or they are irrevocably lost. The worker usually has little or no reserve fund to enable him to withdraw from the market even for a short period. To the worker the sale of his labor is a matter of life and death, while to the employer it is at worst only a matter of a little greater or less profit, or merely a postponement of gain until another worker is found. In skill and cleverness in bargaining, and in knowledge of market conditions, the employer is much superior to the individual worker. Workers usually cannot move readily from place to place in search of work nor import a factory in which to work, as an employer can import workers for his factory. The weakest employers industrially and financially are the strongest and most exacting labor bargainers (witness the "sick" textile industry). On the other hand, the competitive strength of a group of individual workers tends to equal that of the weakest and neediest of its members. Thus the wage rate for a given type of labor tends, under individual competition, to be that set by the negotiations between the weakest worker bargainer and the strongest employer bargainer, i. e., the employer least able and willing to pay a high wage. Furthermore, the full bargaining strength of employers tends to be exercised because of the pressure of consumers for lower prices. Now, we all know that in actual practice few employers are such ogres that this tendency of individual bargaining to keep wages at a minimum operates fully, but the *tendency* of the system is clear.

To sum up, then, our institution of *freedom of private enterprise* is by no means synonymous with *equality of opportunity*, nor does it guarantee *equality of bargaining power* between individuals. In fact, our courts have recognized this disparity in bargaining power in upholding the validity of usury laws. The usual presumption of freedom of contract, necessitating the absence of any restraint on the lender and borrower in reaching an agreement as

to the rate of interest to be charged, is waived in this case because it is recognized that the borrower is usually at the mercy of the lender, *due simply to his economic position*. The courts have been slow to apply the same test to the employer-employee relationship, but the facts seem to be clear, that the equality of bargaining power and freedom of choice essential to equitable negotiation are usually absent in the case of an individual worker taking a modern job.

On the other side of the picture, trade unionists claim that the employer is also benefited by the full functioning of the institution of collective bargaining, resulting in the defining of all working conditions in the trade agreement. Adopting the analysis given by Hoxie, the union undertakes to supply a sufficient amount of high-grade labor, intelligent, self-respecting, well-trained, and restrained. The disciplinary control of the union assures that individuals give a full day's work according to the agreement. There is no danger of sudden and ill-considered spontaneous strikes (such as occurred in the Carolinas in the spring and summer of 1929). The union protects the employer from the waste of materials, the misuse of machinery and sabotage, and the revolutionary methods of unorganized workers. The trade agreement assures the stability of the industrial outlook. The employer can count on a definite output at a definite labor cost, the same conditions applying to plants covering a whole industry or competitive area. Thus the union gives a degree of protection from the cutthroat competition of rivals.

We often hear a person express sympathy towards trade unions and insist on the right of workers to organize, but in the next breath fulminate against the closed shop. A few moments' reflection, however, will show that, for the full functioning of collective bargaining and to assure the sound and strong organization of unions, it is necessary that all the workers belong to the union. The bargaining strength of a group depends directly on the extent to which it controls the labor supply. If non-union men are allowed to work with union members, not only is the morale of the organization broken down but there is always the possibility of the employer discriminating against the union members in hiring, discharging, and promoting. The open shop tends to become a non-union shop—closed *against* the union. Again, the union cannot exercise the disciplinary control over the workers nor assure the enforcement of the trade agreement. If different wages are paid to non-union and union men, individual bargaining results. If the same wages and conditions of work apply to both groups, then the morale of the union is jeopardized—the non-union workers share all the benefits of the organization without sharing its responsibility, its financial burden, and other risks. The open shop is a continuing menace to collective bargaining.

There are two types of closed shop—the closed shop with the open union (any one measuring up to the standards set is welcomed into the union) and the closed shop with the closed union. The latter type is uncommon and is more susceptible to abuse. But it ill behooves industry to criticize

even this. Since when has industry guaranteed a job to every man desiring one?

"But," one hears, "the closed shop is un-American. It violates the right of an employer to hire any one he chooses, and it destroys the right of a worker to enter any occupation he wishes." Trade unionists deny the existence of any such rights. Let us see.

The word "right" can be taken to mean either a legal or a moral right. Taking the first meaning of legal rights, it can be demonstrated that it is fallacious to regard the freedom or liberty of working, or of hiring men, as a right. The standard dictionaries, as well as strict legal usage, support this careful use of the word "right," limiting it to a "legally protectable interest" or "the just claim of one to whom another owes a duty, to have that duty performed"; i. e., a duty laid down by law. No legal right exists unless a legal duty is laid on some other person: the right is the obverse of the duty, just as the two sides of a coin or the two aspects of a debt between two persons. The law does not guarantee any right of a man to obtain employment, for no one has any duty to hire him. A worker has the *liberty* of obtaining work, unless prevented by some economic power, in the hands of either the employer or a union. The employer does not have a legal right to hire any man regardless of union membership, but the legal *liberty* to do so unless the union has the economic power to force the closed shop on him. The legality of the closed shop is not at present challenged, despite a conflict of legal decisions regarding the legality of certain methods of enforcing it. On the side of the worker, regardless of what ought to be true, no worker at present has a legal right to a job. The state, wisely or unwisely, leaves the employer-employee relationship to individual liberty and not right—to good will instead of law—to economic instead of legal sanctions. The closed shop is most distinctly "American," as reflecting the doctrine of *laissez faire*.

But is the closed shop un-American in its spirit? Does it deny the moral right of a man to choose his own conditions of employment? If moral right be defined as the best interests of society, the greatest good to the greatest number, it is clear that an individual does not have a moral right to accept the benefits of collective bargaining without sharing its burdens. He does not have a moral right to undermine for his own selfish and temporary benefits the standards set by the group. Similarly an employer does not have a moral right to exploit the weaker bargaining power of individual workers for his own purposes.

Perhaps a word is necessary to point out that the so-called "company union" or shop-committee plan, wherein all the employees of a single plant belong to an association originated and sponsored (and in many cases controlled) by the employer, does not constitute true collective bargaining. The "company union," in the first place, does not supply in any way the expert leadership or wide knowledge of market conditions furnished by the trade union. The "company union" is impotent to challenge seriously any important policy or action of the employer, and lacks any funds to wage industrial war-

fare if necessary. On the other hand, it is unable to give the employer the benefits claimed by trade unionism—discipline and high-quality workmanship among its members, stability of industrial outlook for the whole industry, and freedom from cutthroat competition. A sufficient commentary on the nature of the company union is the undeniable fact that it is often instituted to forestall the unionization of workers and the initiation of true collective bargaining.

Furthermore, the fact that the employees of a given plant seem satisfied and do not want to be organized is, of course, no indication that collective bargaining should not be instituted. "Contented labor" may indicate the contentment of ignorance and docility rather than the contentment of happiness and prosperity.

What of the restricted policies of trade unions? Are these not contrary to sound social and economic policy? In the first place, these policies are by no means confined to trade unionists, but are the natural reaction of workers to conditions as they find them. Sabotage committed on labor-saving machinery existed in England long before trade unions were invented. Soldiering to make the job last longer, and curtailing output instead of frantically increasing production only to find the piece-rate cut by the employer—both exist in non-union shops. True, both are more effective under trade union conditions, and have in the past been extensively practiced. If methods of work and tasks assigned are not settled in detail in the trade agreement, it is possible for the employer to reintroduce individual bargaining and force down standards by indirect and specific encroachments on the existing status—by slight changes in methods and processes. The same philosophy explains the traditional hostility of organized labor to scientific management in all its forms. The essence of scientific management is ruthless change in detailed processes, and the stimulation of individual effort through wage bonus systems.

The justification of the policies of restriction, from the workers' own short-time viewpoint, is evident, and one cannot but sympathize with this viewpoint. To a worker faced with discharge and unemployment through the introduction of a machine it is only the present which counts. Try to convince him of the good of society! Can not these two viewpoints be reconciled? Must the worker alone pay for social progress, while the employer or the public gains the benefits of technical improvement? Let me suggest another possibility, from actual experience in the clothing factory of Hart, Schaffner and Marx, in Chicago.

In 1925 this company was faced with the necessity of changing its market policy to cater to the new demand for lower-priced men's suits. Because of market conditions, several of their shops had been closed down and production in the others seriously curtailed, resulting in unemployment and part-time work for those who remained. These conditions could be improved only by instituting widespread changes in methods and processes, and the introduction of labor-saving machinery in the cutting room and tailor shops, looking toward mass production methods. To quote from a recent article in the

New Republic by Thomas W. Holland, "Unlike the Ford Motor Company, when it changed models, Hart, Schaffner and Marx could not act without considering the interests of its employees. For fifteen years the company and the clothing workers' union had settled their disputes by a system of industrial law, under which the company and the union stood on an equal plane, so far as the chief labor relationships were concerned. The union had gained so much control, before 1924, that the company could make no important changes in the lay-out of factories or in the type of machinery, without consulting officials of the union, nor could any change be made in wage rates without action by the rate committee upon which the union enjoyed equal representation with the company." For several months negotiations were carried on to determine the changes to be made, both sides making concessions from their previous "bargaining" positions to meet the new conditions of the market. It was in the cutting room where the most serious difficulties developed. In the tailor shops the increased business allowed the retention of all the workers, but in the cutting room the new methods introduced rendered half of the cutting force superfluous. A clause in the trade agreement prohibited the discharge of any worker through no fault of his own, and the union held tenaciously to this. What group of people wants to increase efficiency and encourage its members to work themselves out of their jobs?

A brand new solution was found when the Trade Board, on March 18, 1926, permitted the discharge of 150 cutters, but with the proviso that each man who was discharged was to be paid \$500 to tide him over his period of unemployment and to compensate for a probable lower wage in the new work found. It was recognized that *a man has a right to his job*—not yet a legal right, but an economic right, enforced by economic sanctions. The company contributed \$50,000 of the \$75,000 required for this compensation, and the union the other \$25,000 from its unemployment insurance fund. The arrangement was received with general satisfaction by all parties concerned. Here, then, is a solution of the problem of the introduction of labor-saving machinery which harmonizes the short-time needs of the worker and the long-time needs of society, worked out under collective bargaining.

So much for the opposition to the introduction of labor-saving machinery. What of the retarding of efficiency through the standardization of processes and restriction of production? Sound social policy surely demands that the efficiency of production should constantly increase through improvements in technique and the continual increase in per capita production. An answer to this can likewise be found in the experience of progressive plants under trade union conditions. Unions have in numerous instances shown themselves ready and willing to coöperate in improving efficiency when dealt with squarely, when assured that a fair share of the gains would be given the workers and that no decrease in employment would result. The Hart, Schaffner, and Marx situation was one illustration. An even better known illustration is the working of the union-management coöperation which started in the Glenwood repair shops of the Baltimore & Ohio Railway in 1923. In this case the shopmen's union proposed that, in return for a guarantee of a split-

ting of the resulting profits, it would assume responsibility for eliminating waste and generally increasing the efficiency of the locomotive repair shops. President Willard was wise enough to see the possibilities in this proposal and accepted it. An engineer, Mr. Otto Beyer, was hired by the union to work out details of the changes, with the workers themselves making suggestions for increasing efficiency and eliminating waste. Vast resources of knowledge were uncovered in the minds of those directly on the job. The results achieved within a few months were astounding, and the system was gradually extended to the other shops of the Baltimore and Ohio Railway, and finally to all parts of the system. At the American Federation of Labor convention in Atlantic City in 1925 a resolution was passed, announcing the support of the union-management coöperation plan in railways by the American Federation of Labor and recommending its spread to other industries. The scheme has since been adopted by the Chesapeake and Ohio Railway, the Canadian National Railways, the Chicago and Northwestern Railway, and the Chicago, Milwaukee, and St. Paul Railway. It is *good management* to deal with the unions.

It may well be asked whether these two illustrations are typical of most of the experience with trade unionism—and it must be quickly and emphatically admitted that they are *not*. That is my very purpose in presenting them for your own consideration. For you will also note that, by the same token, the attitude of the employers in these two cases is by no means typical of the attitude and methods of American employers. In the case of most of the present unions, they are being fought so bitterly and with such power and determination that all of their energies are directed toward their very existence. In this situation they cannot humanly be expected to do much constructive work. Trade unionism is a tool of social adjustment and economic control; like other tools, it has powers of destruction as well as of building. Its result will depend on how it is guided; this is the essence of my thought tonight.

This new movement toward union-management coöperation brings out strongly the contention of organized labor that our present industrial system should be democratized. Americans give lip service to democracy, to which our political system bears witness. However, as Mr. James Meyers (at present industrial secretary of the Federal Council of Churches of Christ) has remarked, a workman comes into contact for a longer time and at more points in his daily life with his *industrial* government than he does with the *political* government. And this industrial government in the United States is dominantly autocratic. Judge Gary gave frank expression to the accepted mode of thought today when he asserted that the owners and stockholders "must be recognized as rightfully in control," dictating all conditions of work and compensation. "After the honest fulfillment of all obligations to others, they [the owners and stockholders] are entitled not only to a fair and reasonable return on their investments, but to all the net proceeds of the business." And why? "Otherwise, they could not be expected to leave their capital in the enterprise in question. . . . Their capital permits the

existence, the activities, and the success of the corporation." Does the labor of the workers, then, contribute nothing to "the existence, the activities, and the success of the corporation"? "But," you say, "the owner bears all of the financial risks, and should therefore have control and receive the profits." Ask one of the thirty thousand men discharged from Henry Ford's factory a few weeks ago if Ford bears all of the financial risk of his factory, and see what reply you get! Or ask a North Carolina mill worker in a mill which is operating only two or three days a week who bears the financial risk!

Organized labor is going beyond the stage of collective bargaining merely for "more here and now," and is challenging the very fundamentals of our current business morality. It is not challenging the capitalistic system, but the *control* of this system. Labor demands a share in the control of the conditions under which it works.

But what is the application of all this to Southern industry? It has been pointed out many times that the textile industry is depressed and can not possibly pay higher wages—that "King Cotton is sick." Let us grant that all is not well and examine the matter. Most American business men need to learn a simple principle of elementary economics—that wage rates are not synonymous with labor costs, or, to use the words of Professor Bye, "There is no necessary relation between high wages and high labor costs, or between low wages and low labor cost." Even in 1926, the Boston Chamber of Commerce was able to state, "Fortunately also, there appears to be an increasing willingness among New England manufacturers to turn to integrative methods of preventing labor disputes, rather than continuing the use of the autocratic fiat with its aftermath of low morale, bitterness and rebellion. Furthermore, there are now a sufficient number of examples in the New England textile industry of the principle that low wages are not necessarily conducive to low manufacturing costs, to suggest a less arbitrary attitude toward this problem than heretofore." Let us take an illustration of this from another field—we saw it in clothing manufacturing and railroad-ing—from the textile industry itself.

The textile industry in Massachusetts has been hit far harder, and for a longer time, than the textile industry of the South. Wages are higher in Massachusetts than in the South. Massachusetts has a 48-hour-week law. But there is one cotton mill in Salem, Mass., which has long recognized and dealt with the union, paying much higher wages than the average for the North, and yet is one of the most prosperous companies in the industry. I refer to the Naumkeag Mill, which has recently come into prominence through three papers presented to the national convention of the Taylor Society last December by an agent of the mill, the president of the union, and an industrial engineer whose connection will be seen presently.

The plant was closed in 1918 by a strike in two departments, but instead of bitterly fighting the organization of the employees, as happened in most of the other mills of the section at that time, the agent of the mills recognized and dealt with the union. Ordinary collective bargaining negotiations were conducted until an agreement for union-management coöperation was

made in 1927. The following period of intense competition was met without adopting two general wage cuts totaling 20 per cent. But the time came when conditions in the industry necessitated the cutting of unit costs. The management proposed certain changes to increase output without lowering wages. This would, of course, result in the discharge of workers no longer required, unless sales could be increased to a point beyond all likelihood of their reaching. The union objected and consulted Mr. Morris L. Cooke, a management engineer of Philadelphia. It then made a counter-proposal to the management that an engineer be hired jointly to analyze detailed processes and recommend standards of performance, these proposals to be submitted to a joint committee on waste elimination. This committee should be taken into the confidence of the management as to the competitive situation in the matters of cost and quality, so that each employee could be made to understand the situation and do his part in meeting it. Furthermore, the sales department must be brought under more scientific control and the coöperative spirit developed, in order that employment might be safeguarded. This plan of the union was accepted by the management and an engineer was engaged to work out the plan. Efficiency measures, including a correct application of the "stretch-out" system, have been instituted with the consent and coöperation of the workers. Criticisms of employees are solicited and are considered *before* standards are set. Authority rests in the engineer, but all sides are consulted and considered.

The plan has been working for several months, and the present satisfaction with it on the part of the workers was proved recently by the reëlection of the officers of the union who had worked it out. Mr. Goodell, the engineer, hired jointly by both parties, writes regarding the scheme: "It is too soon to say that we can make such standards more quickly than research which is not joint can do. Whether any industrial engineer can do it quicker depends upon what he finds to be done. Of course an autocrat can operate quicker than a man with an educational task. But in any textile mill, I ask whether that educational task can be ignored with economy. Can you get low end-breakage without at least passive support of company policies? Well, if we are going to assign the job of setting standards plus what we mean by educational work, then I claim that joint research is quicker as well as more thorough." Mr. G. Foster Smith, president of the company, testified in a letter to Congress that "The union employees of the Naumkeag are rendering a very great service to industry, and especially to the textile industry, in the exceptionally fine attitude they have manifested in this matter, and I believe industrial peace will come about only through such efforts as this." Here is collective bargaining which has no connotation of militancy, but of coöperation and industrial progress. And the American Federation of Labor has repeatedly given its blessing to the new technique of collective bargaining. Its spread rests with employers.

At the Naumkeag mill a technique has been worked out for recognizing the employee not only as a vital link in the productive process but as a human being who has a personal interest in the conduct of his job. In the opinion

of George Soule, "The crucial test of the experiment under the peculiarly unfavorable circumstances of cotton textiles lies in whether the mill will be able to find enough jobs for those who are eliminated by the new standards and methods of work."

I mean to suggest by this illustration that the plea that the textile industry cannot pay higher wages is to a large extent false. There are certain mills in every part of the country which are quite prosperous. Facing the same external conditions that made "King Cotton sick," they thrive. The management of the mills cannot be absolved of all responsibility. As Dr. Murchison showed in his study, the disorganized and speculative nature of the industry has attracted many men who have had slight interest in the management phases of the business. When a fortuitous turn of the market will either wipe out the profits of a good year of manufacturing, or bring prosperity regardless of the efficiency of production, there is little incentive for careful scrutiny of manufacturing or business methods.

According to the report on Waste in Industry of the Federated American Engineering Societies in 1921, the most authoritative such study we have, the average textile mill was only two-thirds as efficient as the best mills and only half as efficient as possible. This means, of course, that many were even less efficient. The responsibility for this loss was distributed as follows: against labor, 10 per cent; against outside contacts (the public, trade relationships, and other factors), 40 per cent; against management, 50 per cent. Even though external conditions account for a large share of the disorganization, the engineers found a large field for improvement in the management of textile mills.

Again, as long as the textile mills are loath to reveal any real information concerning their financial condition, wages, and profits, one is justified in liberally discounting their cries of distress. As any one familiar with the valuation of securities realizes, it is not sufficient to prove straitened circumstances, to show the decline in the last few years in the quoted value of the common stocks of textile mills. This merely shows, of course, that the mills are not making *as large* profits now as they were a few years ago, and gives no index of their rate of earnings on a reasonable investment value.

Do not misunderstand me. I do not deny that many a mill, and the industry as a whole, is in a depressed condition and that radical changes are necessary along several lines really to remedy the situation. Let us see what prospects the presence of a strong trade union, and the frank recognition of it by the owners, could hold out.

In the first place, take one of the most commonly deplored conditions in the industry—the prevalence of night work. Most mill owners assert that it is uneconomical and demoralizing to the industry. Yet they profess inability to eliminate it while their competitors continue to resort to the evil. The trade union, organized on an industry-wide basis, could quickly and completely control this situation to the benefit of all concerned. The trade union would obtain a uniformity impossible by state legislation, even granting that laws could be obtained in all states.

To the extent that cutthroat competition would be eliminated, wage rates could be raised to a level commensurate with that in the more efficient mills. But it looks as if there were a catch here. Are union workers in the less efficient mills going to insist on such high wages that the mills will be forced to close, and thus destroy their jobs? It seems to me inevitable, as Dr. Murchison showed in his study, that many of the inferior mills must be eliminated to bring order to the industry. There will be many forces working to this same end.

But to return to collective bargaining, the pressure in the less efficient mills would be an impetus to improvement in management, since no owner wants to close his mill. Fewer workers might be employed, but the higher wages might allow as many families to gain their living. But even granting the discharge of numbers of workers (or, better, an end of the era of expansion), this is better than the poverty often found at present. Those remaining could receive a decent living wage.

To repeat a query made above, since when has any industry guaranteed employment to all wishing to enter it? Certainly not the textile industry in the South. Dr. Vance has shown that the potential labor supply in the agricultural sections of the South is several times as large as the portion which has already been absorbed by industry. A few more or less make little difference.

Again, trade unionism could aid vitally in improving the efficiency of most mills, as it has done in the Naumkeag mill. The textile workers' union has, through its president, offered the same coöperation to any mill in which the principle of collective bargaining will be accepted. In the official magazine of the United Textile Workers for November, 1929, there was this statement of the president:

Only through organization can coöperation between trade unions and management be assured. . . . If management in the southern textile industry will accept this as its end in the best interest of the consumer and of the nation, the United Textile Workers stand ready to coöperate both in the individual mill and in the industry as a whole.

For the industry as a whole, the United Textile Workers propose that a joint research committee be appointed, on which both management and labor will be equally represented. The union proposes that this joint committee employ research assistance to explore the whole status of the textile industry in its local, national and international aspects to discover the basis upon which it will be possible to secure the stabilization of the industry and genuine security of employment. Nearly two years ago, at a conference under the auspices of the Workers' Education Bureau of America, held in Passaic, N. J., the president of the United Textile Workers of America, on behalf of the union, made this proposal for joint research and pledged \$1,000 as its initial contribution to such an undertaking. At that time, the union sought the expert advice of engineers, statisticians, and economists in the working out of the details of such a program, and the plan is ready for further consideration if employers' associations or individual companies indicate their readiness to coöperate.

Here, then, we have an immediate, practical offer to any employer or group of employers in the textile industry to aid in making a comprehensive study looking towards bringing order to the industry.

In closing, I wish to leave the impression, not that collective bargaining as we have become accustomed to it is the final and perfect goal for industry to seek, but that here is an institution with which other sections have had experience that should instruct us, an institution which has shown itself capable of being moulded to suit changing conditions and the changing attitude of employers to it, an institution which has proved beyond any doubt its value to wage workers in many industries. Like every other human institution, it is liable to abuse as well as use; but this does not condemn it unless it can be shown that abuses are inherent and unavoidable, and that they outweigh the benefits of its use.

I hope I have been able to show the essence of the principle of collective bargaining, its necessity for the protection of the interests of the workers, and that it is the part of wisdom and good management for employers to accept it, deal fairly and frankly with the union, and use the facilities thus offered for the smooth and efficient functioning of industry. I do not claim that collective bargaining alone will by magic solve all of the troubles of the textile industry. Many and varied mistakes in the past and conditions in the present call for attack along several lines. Nor do I entertain any illusions that trade unionism will be joyfully welcomed by the employers here in my native South any more than it has been accepted elsewhere. But in my judgment there exists, especially in the newer developments of trade unionism, an agency of great promise for the orderly improvement of our industrial life. How will it be received by the more far-sighted and progressive of our Southern industrialists?

Since the above was written, there has appeared in the *Textile World* for June 21, 1930, an editorial which is quite significant in view of some of the material given above. The *Textile World* is one of the most representative journals of the industry, and its editor, speaking to the industry all over the country, says:

EMPLOYER-UNION COOPERATION

No matter how much individual groups may resist the cry of labor-extension, its application in the textile industry is only in its infancy. It must be counted as one of the major movements which promise to establish textile manufacture on a fundamentally sound basis, from the standpoint of both employers and employees.

Consequently, it behooves manufacturers and unions to study carefully each instance of successful adoption of the plan.

An outstanding case has been that of the Pequot Mills of the Naumkeag Steam Cotton Company at Salem, Mass.

We have been following developments at that plant with profound interest. We realize that Naumkeag started with certain definite advantages.

First of all, the company had a background of healthy industrial relations, of mutual confidence between management and workers. When differences finally arose, emotionalism was not allowed to run rampant. Despite the fact that Agent J. Foster Smith has been connected with the mills for 52 years, during most of which time the union was not recognized, he did not let traditional prejudices stand in the way of solution of those differences.

Second, the company has maintained its equipment at a high level of efficiency, and has constantly improved its working conditions.

Third, it was fortunate in having in John P. O'Connell, secretary of the Salem local of the United Textile Workers Union, the type of man with whom it could coöperate.

Consequently, it was natural that its experiment in the field of research work, participated in jointly by management and union, should have progressed successfully to the stage where a definite agreement was reached, promising higher wages and broader profits.

The lesson, for both manufacturers and unions, is an obvious one.

To the latter, we recommend a study of the attitude of Mr. O'Connell. When we talked with him about the Naumkeag plan, he continually referred to "our" plant, "our" equipment, "our" product. He spoke as if he were one of the stockholders of the company, and not as an antagonist. Throughout the coöperative research effort, he and his local have been striving to help Naumkeag make a better product—and to find broader outlets for that product. Until other union representatives adopt that attitude, there will be few such examples of successful group activity. Quite frankly, we feel that the United Textile Workers Union has been making the Naumkeag proposition a "show case"—a sort of "window dressing." Instead, it must regard it as a yardstick for future attempts to coöperate with employers.

To manufacturers, we recommend a study of Mr. Smith's attitude. He recognized the fact that labor extension was a twofold problem—an engineering and a psychological one. He knew that no worth-while results could be achieved unless machinery and plant management were at the maximum level of efficiency; and unless every individual, down to the sweeper, understood that the end-point was not solely larger profits for the company nor solely higher wages for the workers, but a fair combination of both.

Without such an approach to the problem, on both sides, employer-union coöperation is merely an idle dream.

THE USE OF THE INJUNCTION IN STRIKES

R. J. M. HOBBS*

The controversy respecting the use of the injunction in strike cases is largely between employers and employees. The position of the employer is, in the first place, that the injunction is a remedy provided by law and open to him as a legitimate remedy for his use; that by long recognition it has become a part of the law relied upon by him in the operation of his business. The employer also contends that strikes are unusual situations calling for extraordinary remedies, that the injunction is speedy, just, adequate, and well suited to the problem involved; that it is necessary for his full protection against labor which seeks to operate outside the law.

On the other hand, since its first organization, labor has fought the injunction as applied by the courts in industrial controversies. The injunction is recognized as the most serious legal obstacle to labor's program for betterment of the working man. Legislative enactment, both state and federal, has been sought that would draw the teeth of the equitable power of the courts and prevent them from enjoining labor activities in strikes and other controversies between capital and labor. The election of only such judges to state courts as were opposed to the extensive use of the injunction in labor disputes has been sought.

The objections to the modern use of the injunction were strikingly summarized by John W. Davis in a debate preceding the passage of the Clayton Act in Congress. He said that the reported cases "show at least five glaring abuses which have crept into the administration of this remedy. I name them:

The issuance of injunctions without notice.

The issuance of injunctions without bond.

The issuance of injunctions without detail.

The issuance of injunctions without parties.

And in trade disputes particularly, the issuance of injunctions against certain well established and indispensable rights." Some of these abuses will be discussed later.

Before proceeding further, perhaps it may not be out of place to give a few definitions. Judicially defined, "An injunction is a writ framed according to the circumstances of the case, commanding an act which the court regards as essential to justice, or restraining an act which it esteems contrary to equity and good conscience." Temporary injunctions are granted to preserve the subject matter as it is without going into the merits of the case. The temporary injunction may be dismissed or made permanent at a final hearing. A strike is "a simultaneous cessation of work by workmen acting in concert to compel their common employer to accede to their demands made on him by such combination."

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In the early days strikes were held to be criminal conspiracies, but such holding never obtained wide acceptance in this country. Today, as is well known, labor has the right to organize, and it has the right to strike to improve conditions of employment, to secure higher wages and shorter hours. The courts in all of the states and in the Federal system recognize these rights. The right to strike, however, is not unqualified. The object sought by the strike must be legal and the means used to accomplish the object of the strike must also be legal. If either the purpose of the strike or the means used to promote it are unlawful, then the strike is unlawful and the labor organization or the individuals conducting it may be enjoined by a court of equity. In order to justify equitable intervention, however, it must appear that irreparable injury to the property of the plaintiff is threatened or that there is no adequate remedy at law.

With these general considerations briefly outlined, we may proceed to some of the more difficult problems involved in the use of the injunction in strike cases. These problems have been most effectively handled in a notable volume that has recently been published, *The Labor Injunction* by Frankfurter and Greene. It would seem that all of the materials in this country dealing with the subject have been either specifically treated, or referred to, in extensive notes and citations. Frequent quotations have been made from this important work.

Is picketing a legal means of promoting a strike? It has been held that "there can be no such thing as peaceful picketing any more than there can be chaste vulgarity or peaceful mobbing or lawful lynching." (A. T. and S. F. Ry. *vs.* Gee 139 Fed. 582.) In Massachusetts the courts have recognized picketing as a lawful means of accomplishing the purpose of a strike if a strike is in progress and "if confined to persuasion and free from molestation or threat of physical injury or annoyance." In New York picketing is recognized as a lawful means, even when no strike is in progress. The Federal courts have been less ready to recognize picketing, as the first citation would indicate. The United States Supreme Court, in the case of *American Foundries vs. Tri-City Council* 257 U. S. 184, held that the word *picket* "indicated a militant purpose inconsistent with peaceful persuasion." The same case holds that the strikers are limited to one picket at each point of ingress and egress, and that an injunction would lie against others congregating at the plant and even in the neighboring streets. In New Jersey even one picket was too many (99 N. J. Eq. 770). It goes without saying that whenever picketing is accompanied by violence or intimidation it may be enjoined.

Peaceful persuasion is recognized as a legal means of inducing non-union employees to quit work and to join a union; but if it deteriorates into "dogging" or "shadowing" or becomes an unjustified annoyance, it may be enjoined (257 U. S. 184). In the case of *Clarkson Coal Mining Company vs. United Mine Workers* (23 Fed. 2nd 208), Judge Hough issued an injunction which held "persuasion in the presence of three or more persons congregated with the persuader is not peaceful persuasion and is hereby prohibited." On the other hand, it has been held that "strikers may go to the very line be-

tween the lawful and unlawful and use art, eloquence, oratory, and logic to accomplish persuasion and indulge in fair, vigorous and repeated argument." (*Gt. N. Ry. vs. Local Gt. Falls Lodge, etc.*, 283 Fed. 557.)

If the employer has replaced striking union men with non-union men, who make a contract in consideration of the employment not to join the union or go on strike, such contract is called by labor a "Yellow Dog Contract." The courts recognize the validity of such contracts in that inducing employees to break them is illegal and may be enjoined. This is true even when the employment is at will; i. e., may be terminated by either party at pleasure. (*Hitchman Coal and Coke Co. vs. Mitchell* 245 U. S. 229.) Labor is bitterly opposed to the protection of these contracts by courts of equity. A number of states have passed legislation forbidding employers to require workers to agree not to become union members. Such legislation has been held unconstitutional as an unwarranted interference with the liberty of contract. A statute of Kansas forbidding such contracts was declared invalid by the United States Supreme Court in the case of *Coppage vs. Kansas* (136 U. S. 1). Similar legislation by Congress was held unconstitutional in the case of *Adair vs. United States* (208 U. S. 161). Labor takes the position, and not without force of reason, that such contracts are required solely for the purpose of fighting it, and that "good conscience" so much relied upon by courts of equity is violated when such contracts are given protection through the injunction.

One phase of the injunction almost entirely overlooked by the courts is the damage done to labor when an effective strike is stopped by injunction. Labor's chance to gain a legitimate objective by an effective and legal strike is often destroyed by the temporary injunction. The legal purpose of such an injunction is to preserve the status of the subject matter. This is good enough in theory, but the practical effect in the majority of cases is to break up the strike. The struggle between the parties is stopped when it is just beginning or when at its height. Through delay in the final hearing, labor's chance of success is lost and the resulting injury to its cause is not compensated. At present there is no legislative machinery to relieve this practical and far-reaching result. Even if the legal controversy is ultimately won by labor, it is at heavy expense and the strike is often over, rendering the victory an empty one.

While the extraordinary remedy of the injunction is in the great majority of cases called into force by the employers, it should be noted that labor itself has in a few cases used this remedy to accomplish its purposes. Mr. E. E. Witte in a recent issue of the *Yale Law Journal* pointed out that in seventy-three instances labor has sought relief through it, and secured injunctions in twenty-four cases. Employers have made two thousand applications for injunctive relief and obtained injunctions in eighteen hundred cases. Labor's use of this remedy has been to prevent lockouts and violation of trade agreements, to protect union pickets from violence and union members from discharge, also to prevent interference with labor meetings. In the Gastonia strike the National Textile Union applied for an injunction without success,

to enjoin the enforcement of a city ordinance against strike parades. More frequent use of the injunction is not made because the American Federation of Labor is uncompromisingly antagonistic to its use in labor disputes. Perhaps the outstanding case of labor's resort to the injunction is the case of the Brotherhood of Railway Clerks *vs.* New Orleans Railroad Company (24 Fed. 2nd 13). In this case the railway was enjoined to desist from all attempts to compel the clerks to give up membership in the plaintiff and to join the company union. It was found in a civil contempt case that the railway had violated the injunction. The court then ordered a mandatory dissolution of the company union.

The procedure and proof in securing the injunction have been attacked by labor and criticized by some eminent judges. While the procedure incident to obtaining an injunction is doubtless well known, it may not be out of place to mention some outstanding points. Only courts of equity grant injunctions. In granting an injunction the judge acts in his discretion. A court of equity has no jury. Proof in temporary injunctions is by affidavit. The opposition, therefore, does not have the chance to face the witness and cross-examine him. A violation of an injunction is a contempt of court. In a great majority of the states the trial of a contempt case is without a jury and before the judge who issued the injunction. In a restricted way, since the Clayton Act and similar state legislation, contempt cases are heard by a jury. Injunctions are sometimes issued without naming the defendant and without notice to him. In such a case he has, of course, no opportunity to be heard.

Many features of this procedure are open to attack. It would seem to need no argument to support the statement that injunctions in strike cases should not be issued where the defendants are not named or made parties. As to hearing injunction cases on affidavit, the opinion of a distinguished federal judge would seem conservative and a safe guide to our conclusion in such consideration. Judge Amidon, in *Gt. N. Ry. vs. Brosseau* 286 Fed. 416, says, "The most serious complaint that can be made against injunctions, which have become so prominent a part of the law in dealing with strikes in the United States, is the fact that courts have become accustomed to decide the most important questions of fact often involving the citizen's liberty upon this wholly untrustworthy class of proof." Injunctions of the most sweeping scope are granted upon evidence of this kind. From affidavits in extravagant terms and often untrue, it is almost impossible, if not entirely so, for the presiding judge to find out the real facts. It should be said that the affidavits of the defendants are equally as misleading as those of the plaintiff. Judge Amidon again says, "A comparison of the picture produced by their testimony and that produced by their affidavits has proven the utter untrustworthiness of affidavits." Because of the practical power of the temporary injunction, the procedure for obtaining it takes on an added importance. It is in the temporary injunction that proof by the untrustworthy affidavit plays such an important part.

Labor is not alone in its opposition to the abuses of the injunction. Both President Roosevelt and President Taft pointed them out and urged remedial legislation. Alfred E. Smith advocated important changes in this respect in New York in 1926.

The dragnet scope of the injunction is another criticism leveled at its use in strike cases. One decree ran against "all persons generally." In another, an injunction was issued against the defendants "and all persons combining and conspiring with them and all other persons whomsoever." In a Federal case from West Virginia, the temporary injunction restrained the miners "from further maintaining the tent colonies of Mingo county or in the vicinity of the mines of the plaintiffs," and the union was restrained from "furnishing to the inhabitants of said tent colonies or to those who may hereafter inhabit the same, any sum or sums of money, orders for money, merchandise or orders for merchandise or anything of value." This injunction produced acute suffering among miners and their families. Judge Hough, in the case referred to, provided in the injunction that "strikers' meetings shall not be conducted with the purpose or effect of violating the provisions or spirit of this injunction." Pickets were limited to citizens of the United States and must be able to speak the English language.¹ "Injunctions have been issued against the payment of strike benefits. Union officials have been restrained from calling or instigating strikes, from rendering assistance to strikers or workmen about to go on strike, have been commanded to call off an effective strike. Strikers have been enjoined from all persuasion, peaceful patrolling and from attempts to give publicity to the facts of a strike."² "A tradesman in no way connected with the strike displayed a placard in his window bearing 'No Scabs Wanted in Here' and was found guilty of contempt of an injunction against 'abusing, intermeddling, molesting, annoying or insulting'." To these illustrations many others could be added. In view of this record, is it any wonder that labor seeks the abolition of the injunction? It is also not strange that the courts have lost prestige among a large element of our population. It should be added that some courts have recognized the often indefensible use of the injunction and have taken some steps to correct abuses. The use of armed private police has been condemned by two judges.

As to the need for legislative limitation upon the equity power of the courts there can be little doubt. William Green, president of the American Federation of Labor, said to a committee of the Senate, "I say to you gentlemen that I know of no procedure in America that is fanning the flame of discontent to a greater degree than the misuse of the equity power." Urgent requests from many of our leading statesmen could be cited in support of legislative relief. Our own Chief Justice Walter Clark said to a Senate Commission on Industrial Relations in 1912, "I do not think they [injunctions in labor disputes] can be justified. [Their effect] has been of course to irritate the men because they feel that in every Anglo-Saxon com-

¹*The Labor Injunction*, p. 100.

²*Ibid.*, p. 104.

munity every man has a right to a trial by jury and that to take him up and compel him to be tried by a judge is not in accordance with the principle of equality, liberty, and justice." Judge Clark was referring to trials for contempt under injunctions.

After years of continued pressure upon Congress for legislation, the Clayton Act was passed during the first years of the Wilson administration. This act was hailed as labor's Magna Charta because it stated in section 6 that "the labor of a human being is not a commodity or article of commerce," because it exempted labor from the provisions of the Sherman Anti-Trust Act, and because it limited the power of the Federal courts in the issuance of injunctions. The act has not proved such a Magna Charta as labor expected. Picketing is not mentioned in the act. While a jury trial for a contempt case is provided for, such trial is not required if the contempt is otherwise a crime. The act has no application to irregular, illegal, and malicious strikes. It has no application at all unless the dispute is between employer and employee. One court went so far as to say that the relationship of employer and employee did not exist in a strike because the strikers severed the relationship by striking. (*Canoe Creek Coal Company vs. Christinson* 281 Fed. 559 Ky. 1922.) Peaceful persuasion as used in the act has been held not peaceful if in presence of three or more persons. Finally, in the *Bedford Cut Stone Case* 274 U. S. 37, the reliance on the Clayton Act was further shaken when members of a stone cutters' union, not employees of plaintiffs, were enjoined from refusing to work on stone cut by non-union men. There has been an increase of Federal injunctions since the Clayton Act. It is said that more injunctions without notice to the enjoined persons have been granted since the Clayton Act than in any period of like duration before the act.³ By the interpretation given the act it has proven a failure to correct the abuses of the equity power.

A number of states, including Arizona, Kansas, Minnesota, Utah, North Dakota, Oregon, Washington, Wisconsin, Illinois, and New Jersey, have passed acts very much like the Clayton Act; but the state courts in interpreting these statutes have largely followed the trail blazed by the Federal courts, particularly the Supreme Court. One notable decision in this connection is *Truax vs. Carrigan*. The state of Arizona had a statute similar to the Clayton Act. One of its provisions was that "No restraining order or injunction shall be granted by any court of this state . . . in any case between employer and employee . . . unless necessary to prevent irreparable injury to property, or to a property right, for which injury there is no adequate remedy at law. No such injunction shall prohibit any person or persons from terminating the relation of employment or from ceasing to perform any work or labor . . . or from advising or persuading others by peaceful means." Under this statute the Supreme Court of Arizona refused to enjoin defendants from picketing plaintiff's restaurant and proclaiming to patrons of the restaurant plaintiff's unfairness to labor. The Supreme Court of the United States held that the statute was unconstitutional and void under the due process of

³*Ibid*, p. 185.

law clause of the Fourteenth Amendment. This decision has had a marked effect upon the decisions of state courts in construing similar legislation.

The Clayton Act has not only failed to accomplish the results that were expected of it in the Federal courts but its imitation in state legislation has also failed to bring about the desired reforms in equity that were intended. At the present time the actual position of labor is almost the same as it was before the passage of the Clayton Act.

New and important legislation is now before Congress. While the explanation or advocacy of such legislation is beyond the scope of this discussion, a brief reference to it will confirm the status of the Clayton Act and will emphasize the abuses now existing in the injunction as applied in labor disputes. The proposed act sets out a public policy of the United States as applied to labor disputes, and gives to no Federal court the power to issue an injunction unless in accordance with this public policy. The helpless position of the unorganized worker is admitted. He shall have full power to join labor organizations and select representatives to negotiate for him. No contract not to join a union shall be enforceable or the subject of equitable relief. No Federal court has jurisdiction in labor disputes growing out of joining a union, paying strike benefits, aiding any person engaged in a strike, giving publicity to the facts of a dispute, peacefully assembling to organize or act in promotion of interests, or to advise the doing of any of the acts mentioned. Unlawful conspiracy is no ground for injunction. No injunction shall be issued, except after hearing witnesses under oath and a finding of facts—that unlawful acts have been committed and will be continued unless restrained, that greater injury will be inflicted upon the plaintiff by denial than will be inflicted upon defendants by granting the relief, and that substantial and irreparable injury to complainant's property will follow; that plaintiff has no adequate remedy at law and that public officials can not or will not protect the property. Due notice of hearing shall be given the person against whom relief is sought. Provision is made for issuance of injunctions without notice upon testimony under oath and allegation of substantial and irreparable injury to property. Such order, however, is made to expire after five days. Plaintiff must file bond to indemnify defendant against loss, costs, and attorney's fees. No injunction shall be issued except after a finding of facts filed with the record prior to the issuance of an injunction. Upon issuance or denial of an injunction either party is to have an immediate appeal, which appeal shall be heard ahead of all cases except those of like nature. A case shall involve a labor dispute if it concerns the same trade, craft, industry, or occupation, labor or employers' organizations seeking to arrange terms or conditions of employment regardless of whether participants stand in the proximate relation of employer and employee.

What chance such legislation has of passage is not known—probably very little. It shows, however, what some of the leaders of the country think are the needs of the situation.

There have been a number of important cases in our own state dealing with the labor injunction and the rights of labor. These cases are of par-

ticular concern to us because they show the attitude of our own court to a class of litigation that seems destined to become of increasing importance in North Carolina. While not dealing with the strike injunction, the case of *State vs. Van Pelt* 136 N. C. 633 is an important one. This was an indictment for criminal conspiracy to injure, oppress, and impoverish the prosecuting witness by defendant and others. They notified him and published a notice to the effect that the prosecutor was unfair to labor because he refused to employ only union men, and that no union carpenter would work on material coming from his shop. Judge Connor, in a most able and exhaustive opinion, held that the acts complained of did not make a criminal conspiracy. He says, "As we have seen, organized labor or labor organizations are not unlawful. The prosecutor had no legal right to be considered in sympathy with organized labor; therefore he was not deprived of any legal right if he preferred to employ non-union men. And the defendant had an equal right to consider him unsympathetic with organized labor if he exercised such right." Again he says, "It is very doubtful whether industrial conditions or relations between employers and employees have been improved by prosecutions for criminal conspiracy." Judge Douglas, in the same case, says: "We are assured that if we break up the labor organizations there will be no more strikes and that peace and order will reign throughout the land. . . . North Carolinians seek not the peace of despotism but the peace alone which follows the mutual recognition of equal rights and the impartial enforcement of just and equal laws." This liberal and just attitude of an exceptionally able court is a strong precedent for a similar one dealing with future cases.

The case of *McGinnis vs. Raleigh Typewriters Union* 182 N. C. 770 is a case in which the relief sought was virtually to secure an injunction against a strike. While the prayer for relief did not ask that the strike be enjoined, all of the things the strikers were doing were the subject of the injunction. The court in a *per curiam* opinion dissolved the temporary injunction, holding that the evidence was not sufficient to sustain it.

In the case of the *Citizens Company vs. Asheville Typewriters Union* 187 N. C. 42 the defendants demurred (that is, admitted the truth of the relevant allegations) to the complaint. In sustaining the injunction, the court pointed out that much that was unlawful was alleged—continued trespass, conspiracy, assault, all of which things were admitted by the defendant in the demurrer. The court stated that the defendants have a legal right to a reasonable number for picketing, but this can not be attended by disorder, intimidation, or obstruction, but must be only for observation, watching, and persuasion.

While a number of applications for injunctions in strikes have come before our superior courts, none, except those mentioned, have been found in which the Supreme Court dealt with the problem. It is thus seen that our court of highest authority has not exercised or sustained the use of the strong arm of the equity power to crush the legitimate activities of labor organizations.

By following the course already charted in the *Van Pelt* and *McGinnis* cases, our judiciary will be spared the disrepute into which the courts have

fallen in other jurisdictions, where they seemed bent upon preserving the rights and property of only one group and where they have allowed the speedy and powerful arm of equity to encroach upon the civil and criminal provinces of the law.

May we hope that in much bitter litigation, which seems just around the corner, the broad principles of justice and equality announced by Justices Connor and Douglas may be the guiding factors of our entire judiciary.

THE NORTH CAROLINA CHILD IN INDUSTRY

BULUS BAGBY SWIFT, *Greensboro, N. C.*

"Well, those who are not peacocks but have eyes and have seen school-leavers offered a choice of posts at one end of the Employment Exchange, while parents apply for unemployment benefit at the other end, can only wonder what red tape in the organization of the employers or employed makes it impossible to say or shout these things from the housetops," writes Evelyn Sharpe, in *The Child Grows Up*, a story of London child workers.

A strangely familiar ring has this sentence, to us here in the United States of America, where 1,060,000 child workers are gainfully employed and where more than 2,000,000 men and women are unemployed. North Carolina has her full quota of both. There are no employment exchanges in our state for guiding our child workers. They drift and find their own jobs—most frequently blind alley jobs that offer "a little handful of pay on a few Saturday nights." And there is no unemployment benefit for unemployed parents. We have not reached so high a level in this state. We are, on the other hand, forming bread lines for our unemployed men and women—easing our consciences with opiates meanwhile, saying that children of fourteen and fifteen years must work eleven hours a day and sixty hours a week, to take care of widowed mothers or keep from working a hardship on poor families. It makes one wish to shout from the house top Charlotte Perkins Gilman's oft-repeated lines:

No fledgling feeds the father bird,
No chicken feeds the hen,
No kitten mouses for the cat—
This glory is for men.

We are the Wisest Strongest Race—
Loud may our praise be sung!
The only animal alive
That lives upon its young!

Lest we get too hot under the collar because of the stupidity of all of us for not finding a way out of this dilemma sooner it will, I think, be profitable to ask ourselves a few questions: Who are these child workers? What is their plight? Why do they work sixty hours a week? What is the program for 1931? Is it a sane program? How can the abolition of the harmful employment of children be attained?

Unlike the child laborers of New Jersey, who go over from Philadelphia into New Jersey to weed her fields, pick her berries, can her tomatoes, etc.; and again unlike the little Mexican children, who follow the fruit crops in California and chop off giant sugar beets in the middle west; our child workers are 100 per cent North Carolinians. They work long hours, while their more fortunate brothers and sisters attend school and play in the open spaces.

Say what one will about children preferring work to school, or becoming independent merchants of the street because of their thrift, child workers come, for the most part, from economically handicapped homes. They come from over-crowded homes, are tended by over-worked and consequently over-wrought nervous mothers. Because of the lives these children are forced to live at home, they have least resistance against disease and suffer greatest liability to organic weaknesses. They are easy victims to whatever contagion may be abroad in the land.

And they go most frequently to jobs that must be tended by mere robots—routine, monotonous jobs—perhaps just tying threads or pasting labels on boxes. But they are jobs, mind you, that require attention. Modern industry tends all the while to become more and more routinized. The tasks are easily learned, leaving only rapidity to be attained. And all these children, even though some are unable to read and write, are not robots.

Then there are the children on the tenant farms—children of compulsory school age not in school. And picking cotton from dawn till dark is not nature study. “Neither,” according to Joseph Lee, of the Playground Association of America, “is milking cows at 3 A. M. an infallible training in the arts.” Farm work frequently keeps the child from attending school.

So much for the type of job to which children go. What are the laws of North Carolina governing the employment of these children?

1. Minimum age for employment: Children under 14 may not work in mills, factories, canneries, workshops, and manufacturing establishments and (by ruling of state child welfare commission) girls under 14 may not work in any laundry, bakery, mercantile establishment, office, hotel, restaurant, barber shop, bootblack stand, public stable, garage, place of amusement, brickyard, lumber yard, messenger or delivery service, public work, or street trades. The law is not applied to children working for their parents.

2. Hours of work: There is an eight-hour day for children under 14. There is a 48-hour week and six-day week for children 14 to 16 in occupations specified under minimum age, except that children of 14 who have completed the fourth grade may work 11 hours a day and 60 hours a week.

3. Night work: Children under 16 may not work in any of the occupations specified under minimum age between 7 P. M. and 6 A. M.

4. Work permits: Permits are required for children under 16 for work in occupations specified under minimum age. These are granted by the county superintendent of public welfare or agents of the state child welfare commission (1) to boys 12 to 14 years for work when schools are not in session; (2) to boys 12 to 14 for work outside of school hours during school session and during school hours when such employment is a unit of school work on part-time schedule; (3) to boys and girls 14 to 16 for full-time work. These are based on (1) documentary proof of age; (2) physician's certificate of physical fitness unless examined by school medical inspector within six months; (3) school record which makes no educational requirement; (4) promise of employment.

5. Street trades: Girls under 16 may not engage in street trades. Boys 12 to 14 may engage in such work outside of school hours. Badges are required up to 16 years.

6. Dangerous trades and occupations: There is a 16-year age limit for mines and quarries.

Why do we continue the long work day for children? And why have we failed to guarantee them even an elementary education?

As to employment of children in mills, factories, workshops, canneries, on farms or elsewhere, let it be said once for all that very few children are deliberately treated inhumanely or cruelly in employment. There are but few employers who willingly cause children to suffer. It must be then that we continue to treat these children inhumanely because we have not stopped to consider what conditions are necessary for the full development of these boys and girls. Employers tell me they do not wish children in the mill, and I am sure some of them honestly believe they are conferring favors by employing children, even though for long hours; and, strange as it may seem, this belief is shared by a large part of the people. We are only beginning to understand that a child has a right to grow and develop, and that the future of the race demands that this right be recognized.

But let us get this matter straight. Whatever employers or any one else may think, children 14 and 15 years of age are not employed, except in very rare instances, because industry is good for children but rather because agile bodies and nimble fingers are good for industry. They are employed because there is a desire to get a certain piece of work done, and because child workers can be had at less cost than adult workers. Children work for lower wages and their wages frequently determine the scale of wages for adults in that occupation—thus inflicting a kind of refined cruelty on the adult who is willing and anxious to work. Take children out and wages for adults in that particular line of work will go up. We are not so poor in this state that we must needs get our work done at less than a living wage for adults.

Today, in 1930, we find that thirty-three years ago we commenced to regulate the age of children in gainful employment, at that time excluding children under 12 years from mines. Manufacturers are just twenty-seven years late in seeing that the state legislature does not establish the dangerous precedent of regulating the hours of labor of children under sixteen. That precedent was established in 1903, when by legislative enactment the working week for children under sixteen years was limited to 66 hours. Again, in 1907—twenty-three years ago—we asked for a school record for children under thirteen entering employment; and for seventeen years we have had compulsory school attendance laws. Still in 1930 we do not require the school record to show any educational attainment for a work permit. Must the schools be given another quarter of a century before they are willing to guarantee to all children mentally capable the ability to read and write?

The North Carolina League of Women Voters, feeling sure that its program for the further protection of working children in the state will not be viewed as treason or heresy but rather as sane and reasonable standards that should have been established by public opinion and law long ago, will present these goals to the legislature of 1931, confidently expecting their enactment into law:

Limitation on Hours:

Remove the exemption of children who have completed the fourth grade from the provision of the law establishing an 8-hour day and 48-hour week for children under 16.

Educational Requirement for Work Permits:

Require the completion of the sixth grade for children between 14 and 16 leaving school for work.

Employment in Dangerous Occupations:

Prohibit the employment of children under 16 to oil and clean machinery in motion, to run elevators, to work around exposed electrical wires, poisonous dyes and gases, and grant power to the appropriate state commissions to extend this list.

As proof of the saneness of these goals, if proof is needed, we present the minimum standards worked out by the Children's Bureau Conference in 1919, the minimum state standards of the National Child Labor Committee, and the standards of the National Association of Manufacturers for the protection of working children. When our goals for 1931 are enacted into law, we shall still fall below the standards of the manufacturers in some respects. Their standards are the lowest set up by any national group. They are not a group of impractical idealists, but rather a group of business men who employ children for economic gain.

Again, if we compare the child labor and school attendance laws of North Carolina with those of a group of southern states, we find that South Carolina scores one point, North Carolina four and one-half points, Virginia and Georgia six, Tennessee eight, and Alabama nine out of a possible ten. We can still thank God for South Carolina, and yet she has a 55-hour week and 10-hour day in cotton and woolen mills.

It is in the comparison of North Carolina's treatment of her working children of 14 and 15 years with her treatment of her school children of these same years that she suffers most.

The adolescent boy and girl are at a critical age physically, so we safeguard their health with school physicians and nurses and frequent examinations to see if all is well.

These boys and girls are mentally immature, and need variety, and so we provide a junior high school where they can dabble a little, and find themselves. We make it possible for them to learn self-government in our student government councils, because we know they chafe to break away from their elders, and self-government is the only safe policy. We satisfy their desire to do some creative work successfully by placing them in workshops, in laboratories, on magazine staffs, in domestic science rooms, in gymnasiums, in dramatic clubs, etc. We know that these children are at the daredevil age, and so we organize all sorts of safety campaigns.

And yet having learned all this, we turn right around and unthinkingly permit children from homes where there never have been enough milk, eggs, and butter to go around and whose bodies are consequently less physically strong at this critical stage than those of their more fortunate brothers and

sisters, to jump into industry where their need for variety is met with a monotonous job running for eleven hours a day. We make it next to impossible for them to learn self-government, for they jump from the "yes, mam" and "yes, sir" atmosphere of the grammar grades to the same atmosphere at work under the boss. We stifle their yearning to do creative work, by keeping them at a routine job—perhaps just tying a broken thread or pasting on labels for excessively long hours.

We turn these boys and girls of the daredevil adolescent age into machine shops to work around dangerous machinery, only to have them maimed for life. And still we wonder why the peak of juvenile delinquency is between 15 and 17 years, why 80 per cent of our delinquents in North Carolina are young men who have not passed the third grade.

Let us cease to speak of the abnormalities of youth. The failure of North Carolina to create an environment that is fit for our youth to grow up in forbids us to speak of abnormalities.

The League of Women Voters does not offer its program for 1931 as a panacea for all the ills that beset the working child, but only as a sane and reasonable advance in such protection at the present time.

There is only one real and lasting remedy for this evil, and that is to raise the standard of parental and social responsibility with respect to the employment of children to the point where the harmful employment of a child will be condemned by all, just as brutally beating a child is now condemned.

A PRAGMATIC VIEW OF EMPLOYEE WELFARE WORK

G. T. SCHWENNING*

I

Employee welfare work is defined by the Bureau of Labor Statistics as "anything for the comfort and improvement, intellectual or social, of the employees, over and above wages paid, which is not a necessity of the industry nor required by law,"¹ while Boettiger defines it as "effort of the employer to establish and maintain certain standards in respect to hours, wages, working and living conditions of his employees which are neither required by law nor by the conditions of the market."²

The welfare or service program in industry includes such well-known activities as the following: health measures, rest periods, vacations and sick leave, sanitary drinking and washing facilities, lunch rooms and restaurants, education, recreation, socials, disability funds, pensions, group insurance, housing, stock ownership, profit-sharing, legal advice, loan funds and financial aid, dismissal wages, etc. For years Henry Ford conducted one of the largest meat markets and grocery stores in Detroit, at which his workers could purchase goods at cost, thus saving them large sums of money annually. According to Boettiger's definition, it was a part of his welfare program when some years ago Ford voluntarily reduced working hours in his industry from ten to eight per day and simultaneously increased wages to a minimum of \$5 a day, and later to \$6.

The marked increase in welfare work in American industry since 1915 has brought forth considerable criticism, as has the growth of employee representation and the development of personnel administration.³ Paternalism is the major charge brought against present-day labor relations in industry. And this paternalism is condemned on the score that it degrades the workers, that it is undemocratic, and that it is based on ulterior motives.

While the personnel policies of some industries probably warrant such summary condemnation, the criticism appears to overlook the fact that the maintenance of living and working standards is so indispensable in industry today that the function cannot be neglected by management or left to the employees, who in most cases do not appreciate the significance of such standards either to the industry or to themselves. One has but to refer to management's difficulty in teaching operatives the importance of treating minor injuries, of preventing accidents and the spread of diseases, of wear-

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¹ *Welfare Work in Industrial Establishments in the United States*, Bulletin No. 250, p. 8.

² L. A. Boettiger, *Employee Welfare Work*, p. 19

³ See in particular the following critics: H. W. Laidler and Norman Thomas, *New Tactics in Social Conflict*, Sec. III, "Changing Tactics of Employers Toward the Workers;" J. B. S. Hardman, *American Labor Dynamics*, Chap. XIX, "The Industrial Welfare Offensive"; R. W. Dunn, *American Company Unions*, and *The Americanization of Labor*; S. H. Slichter, "The Current Labor Policies of American Industries" in *The Quarterly Journal of Economics*, May, 1929.

ing glasses when needed, of using goggles, etc., to understand a part of the need for such activities. In a broad sense modern labor policies, which give us personnel management, employee representation, and employee service work, have as their objective the effective utilization of the human factor in industry. These policies are meeting, with considerable success, which is evidenced by the coöperation labor is giving in promoting the several personnel activities and by the marked decline of labor disturbances during recent years.

II

Much of the recent criticism of labor conditions in the southern textile industry has centered around the welfare work carried on in cotton mill villages. It is alleged that this welfare work is vicious because at its worst it is a means of labor exploitation and at its best a system of exercising an offensive paternalism. The entire program of service activities has been condemned as being feudalistic, anachronistic, indefensible, and the source of much labor unrest. Writers in both the North and the South are demanding the abolition of the mill village system on the grounds that it degrades the mill population. In its condemnation of the cotton mill village, the *Winston-Salem Journal* said last December:

It is true that the residences in which the workers live are owned by the company. Individual home ownership is unknown in most cotton mill communities. In the view of many of the best friends of the textile industry in the South the system is wrong and ought to be changed. There ought not to exist anywhere in America a community of workers where the individual who toils cannot own the house he lives in. Fair opportunity for home ownership should be an inalienable right of every American citizen. Every man who works, no matter how humble, ought to work under such conditions that he can cherish the ambition some day to live under "his own vine and fig tree."

Any system that robs the worker of the laudable ambition to become an independent homeowner is destructive of democracy and, if permitted to spread, would eventually result in the establishment of an industrial feudalism utterly foreign to the genius of America as we have known it.⁴

The charges brought against the paternalism of Southern employers are serious indeed and deserve the most careful examination. And if it can be substantiated that the whole mill village and welfare system has been consciously devised by management for the purpose of exploiting labor and of avoiding the payment of taxes, then the public should demand the correction of so grave an evil. The current discussion of paternalistic industrial welfare in the country as a whole and in the South in particular appears to have neglected numerous historical, economic, and social factors which account in large measure for the existence and spread of the system. There is little hope of understanding the efforts at industrial betterment or solving

⁴ Article "The System Is Wrong," quoted in the *University of North Carolina News Letter*, December 4, 1929.

the industrial relations problem so long as the discussion is confined to sweeping generalizations and characterized by animosity and vilification.

III

Historically, employee welfare work has been an integral part of the textile industry from the early stages of its development. It was first introduced on a large scale in England after 1800 by the renowned textile manufacturer Robert Owen. The several activities which Owen carried on in behalf of his personnel affected them in practically every phase of their lives. Since these welfare features were initiated by him, they were paternalistic to be sure, but they can hardly be denounced on that account. The concentration of 2,000 people into his factory center gave rise to much degradation. He found it necessary, therefore, to remedy the situation by supplying educational, social, religious, housing, and marketing facilities which the community had not had time to evolve and provide. As they were detached from customary surroundings with their traditional regulations, Owen was under the necessity of substituting new regulations to fit the new environment of these people. Furthermore, 500 of Owen's workers were pauper children under ten years of age, which fact imposed upon him the obligation of providing decent conditions for them. And as has well been said, instead of degrading his working force by his paternal solicitude, in two decades "he succeeded in transforming a degenerate and wretched population into a model community of healthy, industrious and contented men and women."⁵

This type of employee service endeavor early became a part of the textile industry when it was introduced into New England. The first cotton mills in New England were established away from the towns and cities along rivers where power was available. The need of providing housing facilities and of regulating social conditions in order to attract and hold operatives became a part of the problem of management. Strict supervision of morals and social life in these new mill communities was further necessitated by the stigma that attached to young women who were employed in factories. In time the rigid control over the personal life of the employees was relinquished and this early type of paternalistic welfare work declined. However, until the development of communities that provided the needed social institutions and services, their provision by management was indispensable.

In the South, William Gregg reproduced the scheme of paternalistic labor relations that had been developed in Europe and that he had seen in operation in New England mill centers. This system of welfare work became an important part of the cotton mill and industrial community which he established in Graniteville, South Carolina, a decade before the Civil War. His program in behalf of his employees included, among other features, a school system with compulsory attendance between the ages of six and twelve, a church with religious exercises, company-owned homes and boarding houses, medical service, etc. To his people, among whom he lived, Gregg was em-

⁵ F. A. Ogg, *Social Progress in Contemporary Europe*, pp. 347-348.

ployer, landlord, teacher, clergyman, and judge, and "Graniteville was like a feudal village."⁶

V

Naturally enough, Gregg's system of industrial relations became the prototype for the South and continues to survive today, when it has undergone many modifications or has been abandoned in favor of scientific personnel administration in the rest of the country as industry has become urbanized. There are numerous social and economic reasons why paternalistic welfare work has continued to flourish in the South. And one need not be blind to its defects to see value in the system and to understand the causes of its existence and persistence in the South today.

In the first place, such a scheme of things fitted nicely and naturally into the prevailing philosophy of the Old South and the method of control exercised in the plantation system. The submission of the slave to the planter was carried over in the relationship of tenant to farmer, and subsequently of employee to mill owner. The relationship exists in Southern cotton mills today because the South has not had sufficient time to modify the system. Nor has it felt the need for such modification. And there are evidences that this paternal relationship is by no means generally resented by the cotton mill employees.

Second, cotton mills were built in Southern states after the Civil War and the Reconstruction period as the only hope of rebuilding a prostrate South. Many men were motivated by public spirit to promote the establishment of textile factories as an escape from poverty. One student of Southern industrial history writes: "Sometimes preachers fired communities to build cotton factories as the only means to salvation, through escape from despondency, illness and vice. Civic zeal often compelled a leading figure to become a cotton manufacturer, though his calling might be that of doctor, lawyer, merchant or planter. In numerous cases ex-officers of the Confederate army stepped forward to lead their people in a new and strange crusade, arming them with spindles instead of muskets."⁷ These new industrial leaders became the heroes of their communities, and no one questioned their personnel policies. The veneration of these saviors of the impoverished South has become a tradition, and persists in part today in the case of mills that are owned and operated by Southern enterprisers.

Third, the semi-rural nature of the textile industry in Southern states necessitates the maintenance of the mill village and the continuance for some time of the accompanying paternalistic welfare activities. Most cotton mills are located some distance from the towns and cities. Until urban centers grow large enough to include the mill communities, the management can not avoid the responsibility of constructing villages that provide housing, educational, recreational, social, religious, and commercial facilities for the people employed in the mills. Without such opportunities mills would find it impos-

⁶Broadus Mitchell, *William Gregg*, p. 60.

⁷Broadus Mitchell, "The Industrial Revolution in the South" in *The American Labor Legislation Review*, March, 1928, pp. 17-18.

sible to secure or hold workers. Obviously regulations for conduct in these isolated villages must be provided—a responsibility that again falls upon management.

Sensitive critics see grave danger in this arrangement. They feel, and perhaps rightly so, that it gives the employer too much control over the personal life of industrial workers. But what is to be done about the problem? Should cotton mills in the South move to cities or go out of existence in order to make possible the abandonment of the mill village? Shall we not have to wait until incorporated communities include the mill centers before the village is discontinued?

Fourth, the agricultural background of Southern cotton mill employees necessitates the continued provision of villages and welfare activities by management. Many of these people come from the farm, where they were poor tenants who did not own their homes and who moved about constantly.

In view of the poverty of the people who become cotton mill workers and their established roving habits, it would seem difficult, if not impossible, to prove that the mill management deliberately prevents home-owning by these workers. On the contrary, there are on record numerous instances of efforts on the parts of companies to encourage their employees to purchase and own their homes. These efforts have failed almost entirely. Such an attempt was made just two years ago by the Proximity Manufacturing Company at Greensboro, North Carolina, but the houses remained vacant, with a single exception, and were finally rented.

It is highly questionable if owning a home would be desirable for these workers. A modest house costing only \$3,000 if amortized in ten years without any down payment would call for a monthly payment of \$25, not to mention interest, taxes, and upkeep. It stands to reason that the worker is better off if he rents a similar house from his employer for a monthly rental of \$6 or less. This low rent constitutes an indirect wage that is not wholly insignificant. And the worker is free to move about under this arrangement. To the worker the mill village would hold out real economic advantages, even if by abandoning it the industry as a whole could afford to increase current wages very considerably.

Abstractly considered, home-owning is a socially desirable ideal. But is it desirable under all circumstances? In its laudable plea for the substitution of home-ownership for the Southern cotton mill village, the *Winston-Salem Journal* appears to be unaware of the fact that Northern employers are being condemned for encouraging their employees to purchase homes on the score that it ties the employees to their employers.

Finally, life in these paternalistic Southern textile towns is not always as drab and degrading as some critics have pictured it. The testimony of Paul Blanshard, a severe critic of Southern industrialism, shows that cotton mill villages have many admirable features and that they are serving a real need. Writing in 1927, he made the following illuminating observations:

I have not intended to leave the impression that the mill village is an evil and that the manufacturers are hypocritical in their philanthropy. On the contrary, it seems to me that the mill village is, on the whole, a genuine blessing to the cotton mill workers and that the manufacturers are doing the only intelligent thing that could be done in building mill villages for their employees. . . .

There is nothing particularly distinguished about any of the mill houses, inside or out, but they are far better than the tenements of the workers in larger cities or the houses that these same mill workers could rent outside the mill village.

Occasionally a mill village located within a large city has all the horrors of a city slum. . . . But most of the mill-village owners in erecting their villages have shown an esthetic sense far superior to the individualistic pioneers of city development. Whatever their motives have been, it seems to me that they have provided a saner and more wholesome place to live than the workers and their accompanying realtors would have provided if the problem of workers' housing had been left to personal initiative.

The best proof of this opinion lies in an actual comparison of residential quarters for mill workers owned by private realtors and the standard mill village. Across the state line from each other are the city of Columbus, Georgia, and the town of Phoenix, Alabama. In Columbus the Bibb Manufacturing Company has erected one of the most beautiful and modern mill villages of the South with well-kept streets, a library, a boarding house where rooms and board can be secured for \$5 a week, a swimming pool, a free clinic, and many modern houses renting for less than one-half the charge for similar houses outside of the village in Columbus.

Across the river in Alabama lies Phoenix where many workers live because their employers do not provide a mill village. Compared to the Bibb mill village it is a dingy slum of unpainted shanties. It has no social advantages and no beauty, and its rents are higher than mill village houses. Side by side can be found a few company houses renting for \$5 a month and private houses of lower grade renting for \$8 and \$9 a month. My observations in other centers indicate that this contrast is representative.

If the mill owners left the problem of housing to the workers, the poorest workers who move from village to village most rapidly would be those who suffered most. They would be compelled to live farthest from the mill in the most dilapidated houses. That is exactly what happens today in a Southern mill community when the company does not own enough houses for all the employees. By providing cheap houses for all employees the mill owners prevent the exploitation of the least intelligent. . . .

I am familiar with one mill town in the North in which the majority of workers own their own houses, and I believe that there is no more real freedom in such a place than in a company-owned town.

The idea of the company-owned village is usually condemned as paternalistic or feudalistic, and I think that the words apply quite accurately to a Southern mill village. But I do not think that paternalism should be condemned as an evil per se. The pioneer mill owners of the South faced the Herculean task of taking an illiterate mountain and farming people and transforming them into a modern industrial community. The fact might as well be faced that this population was not ready for any intelligent coöperation in solving the housing problem. The mill owners rendered a tremendous and necessary service by their paternalism.⁸

⁸ Paul Blanshard, *Labor in Southern Cotton Mills*, pp. 43-49.

V

Some critics of Southern labor policies and practices fear that the present system will become permanent. History does not support this view. In other parts of the country, as in Europe, the inquisitorial features of paternalistic welfare activities were abandoned as the wage earners objected to them with their economic and social advancement, and as industrial centers became a part of cities which provided houses and social opportunities. In Northern industries where service work has been developed extensively since the World War, the objection to paternalism has been largely removed by the company's soliciting and securing the active participation of the workers in conducting these activities.

In the South the cotton industry represents the early stages of industrialization. With the progress of manufactures and the growth of cities, labor relations will unquestionably change. Another factor that will modify Southern personnel procedure is greater urbanization and industrialization of the population. Today Southern industry is faced with the task of adjusting an eighteenth century agricultural people to a twentieth century industrial environment. These people are so desperately poor and their standards of living so low that management must provide many necessities of life for them. Since they are individualists, management must coach them in social action. This is not a simple task, for they are extremely mobile, many of them returning to rural isolation while others take their place in the mill. When once the Southern mill people become more or less permanently settled in cities and adjusted to the factory environment, much of the cause of paternalism will be removed. They will then develop to the point at which they will be capable of directing their own affairs that are now supervised by their employers. At present there is no overwhelming evidence that these people find life in the mill village insufferable. It may, therefore, be better social policy for critics to demand the improvement of the villages rather than their abolition.

There are mill villages in the South in which management is gradually relinquishing close paternalistic supervision. For years the employees in the five Southern factories of the Kendall Company have had democratic control of activities in the company's villages in which they live. At the Riverside and Dan River Cotton Mills, located at Danville, Virginia, home owning and industrial democracy have been a fact for years. Other mills are turning over some of their own welfare activities to public agencies as soon as these develop. In the meantime it is a case of necessity for the mill owners to provide such facilities.

VI

Not all of the recent efforts for the improvement of the working and social conditions of employees in industry have been successful. Failure has often been deserved. In some instances the workers objected to the degree of oversight exercised by management. In some cases the program was not selected wisely. And some welfare schemes failed because they were initiated

to take the place of adequate wages, to destroy labor organizations, and to act as a substitute for proper working conditions.⁹ When unintelligently devised and administered, welfare work deserves to be condemned and ought to fail, for "true welfare begins with the provision of working conditions which are fundamentally just in the recognition of the human rights of the workers."¹⁰

The sweeping accusations against all employee service work would lead one to believe that all industrial betterment is resented by the workers and that it is carried on with the view to subjugating labor. This is not a true picture of the situation. While some schemes ought to be abandoned, many of them are distinctly beneficial to wage earners. And progress in this field of human relations in industry will be facilitated when, instead of summarily condemning "all sorts of variations and degrees of paternalism in the gamut of personnel relations,"¹¹ we develop case studies and criticize where criticism is needed and praise where praise is deserved. This principle offers hope of understanding and clarifying the whole issue, for such an approach to the problem would disclose the fact that paternalistic welfare activities may be either good or bad, depending upon the motives of the management and the conditions under which the system is applied in any given case.

Certainly, any one at all familiar with the earliest welfare work conducted by Owen in England, Leclair in France, the Krupps in Germany, Lowell and Appleton in Massachusetts, Gregg in South Carolina, or the more recent service activities by Filene, Dennison, Ford, Procter and Gamble, Kendall, and many Southern textile manufacturers can not but admit that, in spite of many deficiencies in these activities, paternalism as such is not always and absolutely undesirable. Nor need the recognition of the social value of numerous instances in the long history of industrial betterment effort cause us to overlook some of the obvious defects. With all our striving to improve industrial relations during recent years in this country, there is room for criticism and further improvement. We are admittedly still far from a solution of the problem of human relations in industry. But unless we are uncompromisingly committed to the belief that trade unionism is the only vehicle of labor progress, or unless we hold the left-wing socialist doctrine that capitalism is untenable and must be overthrown by labor, we must concede that present-day labor policies and practices in American industry are making a distinct contribution to the solution of our labor problems and to the economic and social progress of the country.

⁹ See E. S. Cowdrick, *Manpower in Industry*, pp. 236-237.

¹⁰ L. D. Edie, *Practical Psychology for Business Executives*, p. 80.

¹¹ R. W. Dunn, *American Company Unions*, p. 5.

THE SOUTHERN INDUSTRIAL PROBLEM AS THE SOCIAL WORKER SEES IT

HARRIET L. HERRING*

I have been asked to discuss briefly the Southern industrial problem as the social worker sees it. My contact with the industry and with social work in its neighborhood has been as a mill welfare worker, as a personnel manager, and as a university research student of the economic and social history and some of the present-day problems of the Southern textile industry.

In a sense this entire topic presupposes a relation between social workers and the industrial problem which does not exist to any great extent. Social work and social workers in the professional sense of the terms touch the mills and their employees only slightly. The mills are chiefly in small towns and villages, the latter often of their own building. Even those mills and accompanying villages in the urban areas about our larger towns are most frequently to one side with varying degrees of aloofness, going so far sometimes as separate incorporation. Social work agencies are scarce and sparsely manned even in the larger towns, and are practically non-existent in the smaller ones. Instead, much of the social work that is carried on in the chief textile states is public welfare work on a county basis. North Carolina and Alabama have such a system and Georgia has an adaptation of it.

It is among these county workers that we find the most direct contact with the problem. But they have a wide territory to cover and a wider range of duties to perform, and so their contact consists, in the course of their regular duties and in normal times, in relief and assistance in cases of extreme maladjustment. Poor wages, irregular operation of the mill, night work for mothers, excessive labor mobility—all increase the number of these calls in direct proportion as they increase the number of extreme cases of individual poverty, sickness, and delinquency. I think I am fair to the social workers when I say that their attitude toward the cases which come from the mill communities is slightly different from their attitude toward those from other parts of their district. If they have a poor type of mill in their territory, they rather assume that there will be more such cases from it in proportion, because such a mill village is an artificial concentration of people of a low scale of economic, educational, and civic attainment. If they have a high type of mill and mill management, they assume that they will have few calls and that the mill will assist them in relief and back them up in adjusting difficulties. In most cases this assumption is justified.

In addition to these opinions which grow out of their own experience, these social workers have some which are current in the general public of which they are a part. For example, the building of mills and the furnishing of work to workers and payrolls to towns is accepted as good per se. I imagine that Southern chambers of commerce and newspapers are not so dif-

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ferent from those of other parts of the country in inculcating this idea. The industry arose in the South out of a time of exhaustion which made it seem a means of economic and social salvation brought about by public-spirited local leaders. The mill workers were recruited mainly from two classes which had been underprivileged and poorly esteemed—the tenant and squatter farmers and the mountain whites. And cotton mills and cotton mill villages have nowhere—England, New England, the South—raised their workers in the social esteem. For all these reasons, out of the history of the South and the industry—which for clarity need more elaboration than I can give to them here—it is not strange that in the minds of the general public the mill people are accepted as a bit different, and that the mill owners and their policy and program are accepted somewhat at their own evaluation. The social workers are citizens out of this historical background as much as any other citizens; they are surrounded by this general atmosphere of a favorable public opinion, and it naturally affects their attitude on any individual problem.

To be sure, there are evidences of some change in this attitude among social workers. With the growth of social agencies in town and county their representatives, usually trained workers, are beginning to register disapproval of the fact that some mills are unwilling to let the regular social agencies function in their villages as in other parts of the community. Employees are beginning to show some preference for these regularly constituted public agencies for assistance and services that have long been carried on by the mill or its representatives. This is partly because it is only recently that they have become available. While the mill workers' experience with the Red Cross and its handling of the veterans' cases, for example, and with county welfare workers, has made them aware of the existence and possibilities of such agencies.

It is perhaps only fair to add that some mill managements are taking the same attitude of willingness to turn over to social agencies and county welfare workers some of the functions which they formerly performed. Indeed, I have even found some mill managers and a few mill welfare workers who felt that they did not get the service from these to which their taxes and contributions entitled them. So, you see, there is so much variety in experience and opinion that it is difficult to make many generalizations concerning the social work by regular social workers. About the only one that is absolutely certain is that there is little social work done in mill villages by regular social workers.

On the other hand, what is done is by mill "welfare workers" and volunteer workers from among the mill management, and from social service groups or individual citizens. Such volunteer agencies are perhaps too scattered in time and place and effort to have more than local, sporadic importance. But certainly any consideration of the social worker and the Southern industrial problem must include the activities of the welfare or community workers. It is true that only about one-fifth of the mills in North Carolina have ever had community workers, but these have been the larger companies,

so that a greater proportion of workers has been affected. And in South Carolina, where large units are more common, more mills employ such workers, while I understand from a rather casual acquaintance with the Georgia situation that most of the larger units there also employ welfare workers.

Now the mill welfare worker has several very important limitations when it comes to dealing with the industrial problem. There is the limitation of training and outlook. Most mill welfare workers are employed because of their training or ability in some special line—domestic science teacher, nurse, recreation leader, athletic director, community music director, visiting teacher, and what not. I have searched my recollection of the many mill welfare workers whom I know or know about, and I can not think of one who has had training as a social worker as a professional worker understands the term. And so they proceed to do the best they can with any problem or need that comes up—from organizing a foreman training class in the mill to having a dose of 606 administered—from adjusting a family quarrel to putting on a community fair. The wonder is that, untrained for most of their work and spreading themselves so thin, they do any effective work at all. And yet they do much preventive work, much adjustment in the early stages of ill-adjustment, much educational work in matters like school attendance and health, and so keep many potential cases from going to the county welfare workers.

There is, second, the limitation of control by the employer. Part of this is actual, obvious and forthright—and inevitable. A community or welfare worker is employed to do the type of thing the particular employer is interested in. She may add to the program a lot of other things *she* is interested in, but if she values her job she will not add, or will be quick to drop, those of which she knows the employer disapproves. This is only the old story of the right of him who pays the piper to call the tune. Part of this control is subconscious. I know from the experience of myself and personal acquaintances that the employer raises no objection to practically any activities and lines of development which the welfare worker wishes to enter upon. The feeling that he would is often chiefly in the mind of the community worker herself. I have long felt that if the community workers in Southern mill villages had for the last twenty years spent as much energy and time developing leadership among the employees to carry on community activities as they have in putting on these activities by sheer force of their own leadership and position as paid leaders, we would now have enough experienced leaders in the villages—for labor mobility would have served to leaven the whole from those having such training grounds—to enable the paid workers to devote their time now to much more technical questions of social work.

This control by the employer and by the job is, then, partly conscious, partly unconscious, and wholly selective; only those go into the work—certainly, only those stay in it—who consider it worth while, who sincerely find in it many of the deepest satisfactions of social service.

There is, third, the limitation of the situation. The mill welfare worker who finds it necessary to make adjustments, to try to solve the problem of any individual or family, must do so in terms of the mill and the village—

and of that particular mill and village—rather than in terms of the needs of the client. They are not free to use to the full the agencies of adjustment nor all the opportunities of the community. They must either call in the outside agency to take over the case or, failing such an agency or the willingness or the machinery for coöperation, let the people drift away to some outside solution if they can.

These attitudes, experiences, and limitations of both social workers and mill welfare workers that exist in normal times carry over powerfully into periods of industrial stress. For the social worker acute maladjustment is intensified, and to these calls are added the need for such assistance as can be given in maintaining morale, preventing disorder, and hastening settlement. In North Carolina, on account of the issues, the leadership, and the conduct of the strikes, opinion has been largely against the strikers, and the social workers are a part of that public opinion. In South Carolina, on account of the issues, the leadership, and the conduct of the strikes, public opinion was rather favorable to the strikers, but South Carolina has no county system of public welfare. So far we have had several cases where social workers have measured up finely in administering relief and in cleaning up the situation after the struggle was over. On the other hand, we have had one or two cases where—if I can judge from rather superficial knowledge—they have held pretty well aloof from the whole business, even relief. I have yet to learn of a case where the social workers have taken any outstanding part in the adjustment of the actual difficulty. Most often the leadership in this phase has been from the civic and religious leaders of the community.

But after all, it may be said that it is hardly the business of the social worker to do more than answer the increased calls in case of industrial strain, and especially the vastly overworked and often sadly undertrained social workers who are doing the best they can with overwhelming jobs. We can hardly excuse the mill welfare worker so easily. The whole *raison d'être* for mill welfare work—theoretically, at least—has been to furnish and develop leadership, to raise standards of civic and social responsibility as well as standards of health and conduct, to interpret the workers to the management and the management to the workers, and to keep the people satisfied. With any such platform or purpose it is plain that the responsibility of the welfare worker ought to be enormous. Just as their best work in matters of individual or family maladjustment is done in preventing a crisis, their best work in group maladjustment should come in education and interpretation that will serve as a preventive of at least the worst extreme of suspicion and distrust and impatience of each side with the other. And yet, as we have seen, they are so limited by training and outlook, by control of the employer and the job, that they are ill-prepared to meet the crisis. The management has usually pretty well ground it into them that they have nothing to do with the mill and its workings. So much so that very intelligent and able welfare workers frequently can not tell you the simplest facts about size of the mill, its products, working conditions, and wages, to say nothing of the general economic situation of the industry, comparative wages and working

conditions, union objectives and tactics. No wonder the management does not depend upon them to deal with the problem in a period of strain. It goes without saying that the employees, especially when led by organizers hostile to company welfare work, consider them the agents of the mill and have no confidence in them. No wonder they have no confidence in themselves. And so the result is that they have refused to admit that there is any crisis or potential crisis. I have personally seen them, individually and in group sessions, refuse to recognize it sufficiently to be willing to talk about it—to discuss just what welfare workers ought to do if such trouble should threaten their own community. Given all the factors that I have enumerated, I do not see how it could be different, but it is not an encouraging situation.

For by all rights the social worker and the welfare worker together should be able to be of great service. The future has a challenge for them both that is more similar perhaps than any phase of their work heretofore. There is being launched in the South today a serious and well planned effort to organize various types of workers, especially textile workers. Backed by the American Federation of Labor and whipped on by the threat of rival radical organizations, this effort bids fair to be more effective than the many attempts that have proved temporary and sporadic in former years. On the other hand, to the individualism and conservatism of the Southern worker are added many economic factors about the industry and psychological attitudes of the owners and the public which will make the task difficult and may make it painful and stormy.

In the immediate future, therefore, the challenge to the social worker and the mill welfare worker alike is to keep an even keel and serve in interpreting the employee and owner to each other, and both to the public. The owners and public need education in the rights of the worker; the workers need education in the new responsibility that comes as they gain power. It is not an easy task, this keeping an even keel in the midst of extremists on both sides. One is in danger of being driven into the ranks of the radicals by a certain type of owner who believes that the ownership of the mill invests him with the divine right to run it as he will, and that the way he is running it is divinely right and wise. One is in danger of being driven into the ranks of the reactionaries by a certain type of organizer and zealot who holds out too glowing hopes. Our Southern people are inexperienced in labor organization, its methods, its language, and its possibilities; they take these promises far too literally and are too easily wrought upon by the evangelistic appeals to which they are subjected.

This function of interpretation is one for the immediate future. There is a still greater challenge to the social worker and the mill welfare worker in the more distant future. Both of these workers are interested in an intelligent development of society, certainly of the little bit of it with which they work, and so, logically, of its larger units. There are few sections of a modern society that admit of as much direction as those great units dominated by a single industry. Of these the textile industry is one of the most influential

because of its habit of localization, of town and village building, of housing, of employing whole families, of carrying on welfare work.

We have been saying for two generations now that the cotton mill is a step in the evolution of the Southern worker. We must look to it that it does not become an end. In New England the cotton mill has been a stepping stone for wave after wave of native and immigrant peoples to a better economic and social life. We claim that by providing a better wage, better social and educational advantages, it has done the same for the family from the tenant farm and the mountain cove. But our people are staying in the mills—must stay in them if the mills continue to be manned, for we have no influx of immigrants to push them out and up, and will have none. Replacement by the Negro awaits an industrial development that must previously take up an enormous white labor supply. Technical, mechanical, and managerial improvement make fewer workers necessary. One student of the industry believes that the Southern industry now employs more workers than it will again. Those will be given the preference who are trained, and who have grown up in the industry. The problem of individual adjustment, of community development, and of social progress will have to be worked out—fought out—on the front as it now exists, for we cannot run away from the problem any more than the whole body of workers can move away from theirs.

Are we to develop in the South a social class and presently a political group based on that most inexorable of controls, economic cast? Will our model villages of upstanding citizens become part and parcel of our wider communities? Will our seedy, slovenly villages sheltering people with an inferiority complex cease to be? The social and welfare workers hold a key to the situation that will help to unlock the willingness of the owner, the intelligent self-expression of the worker, and the understanding coöperation of the public.

THE NORTH CAROLINA DEPARTMENT OF LABOR AND PRINTING AND A SUGGESTED PLAN FOR ITS REORGANIZATION

HARRY D. WOLF*

In a recent publication of the United States Bureau of Labor Statistics, Mr. Ethelbert Stewart, Commissioner of the Bureau, made the following significant statement:

No functions of the government are more widespread or are accomplishing more, considering the tremendous odds, than are the various bureaus of labor statistics. Yet the work of no state organization is less understood or less appreciated than that of these bureaus. This is partly due to the fact that they have for the most part so little funds that they have not been able to attract the attention to themselves that other organizations more fortunately equipped have succeeded in doing. However, if one compares the economic literature, both periodical and university text-books, prior to 1869, with that of today, one will realize that it is from the material gathered through bureaus of labor statistics that most of the real facts have been secured.¹

Although Mr. Stewart was referring specifically to *bureaus of labor statistics*, rather than to state departments of labor, with which we are primarily concerned here, his words are equally applicable to the department, inasmuch as bureaus of labor statistics are ordinarily found in departments of labor.

It would be difficult to exaggerate the importance of our Federal and state departments of labor, and bureaus of labor statistics, in our modern industrial life. No other governmental agency comes into such intimate and continuous contact with the daily lives of our working people as does the present-day state department of labor. Upon it is laid the duty of guarding the health and safety of our workers; of protecting working women and children from the hazards of modern industry and from possible exploitation; of settling industrial disputes in a peaceful manner, to the mutual benefit of both employers and employees, and to the security and comfort of the public; and, finally, of investigating conditions of industry and conducting research, setting forth its findings in concise and available form as a foundation upon which wise social legislation may be constructed. Concerned as it is with the lives and welfare of our working people, particularly our wage-earning classes, which, under our present economic system constitute an increasing proportion of our population, it is of supreme importance that it be so organized and conducted that it may perform its functions in the most efficient and effective manner.

The first state department of labor, organized originally as a bureau of labor statistics, was established by the state of Massachusetts in 1869. Since that time one state after another has followed the example of Massachusetts

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¹ Bulletin 479, U. S. Bureau of Labor Statistics, *Activities and Functions of a State Department of Labor*, 1928, p. iii.

until at the present time there are forty-three state organizations in the United States, in addition to the U. S. Department of Labor, having the functions of state departments of labor.²

It must not be imagined, of course, that these departments of labor were originally organized in their present forms, possessing the powers and duties which they now exercise. At the time of organization in each of the several states economic conditions were much simpler than at present, and the powers and duties of these agencies were naturally more limited. As any given state developed industrially, its economic organization became correspondingly more complicated, and new conditions and new social problems, calling for control and solution not only in the interests of wage earners but of employers and the public as well, presented themselves. To meet these changing conditions new duties and powers were added to those originally given the department or bureau of labor; or else commissions, boards, or other agencies were created outside the department, and perhaps more or less independent of it, to cope with them.

As this development proceeded, it became apparent that the machinery thus established was becoming unwieldy; that it lacked coördination; that there was duplication of effort on the one hand, and on the other gaps for which no one felt or accepted responsibility. It was to meet this situation that most of the more industrially advanced states, within the last few years, have reorganized their departments of labor, placing the administration under a responsible head or commission, dividing the work among bureaus, each with a responsible head, thus coördinating and unifying the department as a whole, and achieving a maximum of efficiency and economy.

The foregoing epitomizes the history of the development of the state department of labor in the more highly industrialized states of the country. It is the writer's belief that the State of North Carolina, whose comparatively recent remarkable industrial development is sufficiently well-known to all of us to warrant passing over here, has reached a stage where a reorganization of its department of labor and printing is advisable. In taking this position, he wishes to make it quite clear that he is in no way casting any reflection on the administration of the department as it now exists; nor on the administration of the other existing agencies which are now functioning in this field. On the other hand, it seems clear that a more effective organization might be established by bringing together the existing agencies into a single unified organization. The testimony of the Industrial Commission of Wisconsin, which state, according to the American Association for Labor Legislation, possesses a model state department of labor, should carry considerable weight on this point: "The advantages of consolidation," declared the commission in a recent report, "are obvious. A single commission eliminates duplication and overlapping, as well as leads to a more rounded-out and consistent and effective administration of labor laws."³ It is with this idea in mind, and with the desire to emphasize the need of giving the department certain

²*Ibid.*, p. III.

³Industrial Commission of Wisconsin, *Biennial Report, 1922-1924*, p. 4.

functions which it at present does not possess, that the plan of organization set forth below is suggested.

Before turning to the subject of reorganization, however, it seems essential that we survey briefly the organization and the work of the North Carolina Department of Labor and Printing as it now exists. This will serve to show what it is and what it is doing at present, and will also indicate some of the things which are ordinarily thought of as properly belonging to that department of government but which at present do not belong to it. This will not only acquaint us with the organization and functions of the department, but will also offer a possible basis for a plan of reorganization.

The present Department of Labor and Printing of the State of North Carolina originated as the Bureau of Labor Statistics in the Department of Agriculture, Immigration, and Statistics by virtue of Chapter 113 of the Laws of 1887. Section I of the Act which provided for the bureau placed it in charge of a commissioner of labor statistics who should be appointed by the governor for a term of two years, at a salary of \$1,500 per year.⁴ His duties were “. . . to collect information upon the subject of labor, its relation to capital, the hours of labor, the earnings of laboring men and women, their educational, moral and financial conditions, and the best means of promoting their mental, material, social, and moral prosperity.”⁵ He was also required to make a full report to each session of the general assembly of the information “collected and collated by him,” and to make such recommendations as he might deem necessary to promote the efficiency of the bureau. This information presumably was to be, and for several years actually was, set forth in an annual report published in pamphlet form, a copy of which was sent to every newspaper published in the state, to each member of the general assembly, and to other interested persons who might make requests for such. More recently the report of the Department of Labor and Printing has appeared biennially.

To assist him in the discharge of these duties, the commissioner was given power to appoint a chief clerk who should receive a salary of \$900 per year. He also had power to “. . . employ such other assistants as might be deemed necessary by him to gather and collate the information referred to, and to administer his office generally, provided the total expense did not exceed \$5,000 for the first two years and \$2,000 annually thereafter. . . .”

From the foregoing it is obvious that the Bureau of Labor Statistics was designed primarily as a fact-finding and fact-disseminating agency. The powers and duties which we now consider as properly belonging to a state department of labor, namely, the administration of labor laws, the supervision of women and children in industry, etc., are nowhere mentioned in the act which created it. A quotation taken from the first annual report of the first commissioner of labor, Mr. W. N. Jones, makes this quite clear: “The Bureau is designed to be an educational force,” he declared. “Its purpose is to investigate matters pertaining to the producers of the state, and to present

⁴North Carolina Bureau of Labor Statistics, *First Annual Report*, 1887, p. III.

⁵*Ibid.*

them for public consideration. In this way it is hoped that a just public sentiment will be produced and fostered, and thus encouragement will be given, and the avenues to the highest development will be kept open.”⁶

It is not at all strange, however, that the powers and duties which we now associate with a state department of labor are not to be found in the act creating and empowering the North Carolina Bureau of Labor Statistics. In the first place, North Carolina was at that time distinctly rural and many, if not most, of the labor problems with which we are now familiar, and which were then to be found in the more highly industrialized states, were not perplexing the state. Naturally, therefore, there were few labor laws to be administered. Finally, the thing most needed at that time was the securing of more complete information concerning the conditions and circumstances surrounding working people, particularly wage earners, in order that social thinking and action might be guided; and it was to meet this need that the Bureau of Labor Statistics was organized.

It is evident from these facts that the establishment of the bureau, “the only strictly Southern institution of its kind” at the time, was a distinctly forward-looking step and one in which North Carolina may take pride.

The greatest handicap which the bureau struggled against in its earlier—as well as in its later—years was the ridiculously small appropriation on which it was obliged to carry on its work. The meagerness of the appropriation was commented on by Commissioner Jones in his first annual report; and seven years later Commissioner Lacy declared that “The main difficulty in the operation of this bureau, and consequently in the preparation of this report, is that the appropriation is so small it is not at all commensurate with the work to be done.” Commissioner Lacy pointed out that while the North Carolina Bureau was expected to carry on its work on an annual appropriation of \$2,000, New York granted its bureau annually the sum of \$25,000; Massachusetts, \$16,000; Minnesota, \$13,500; and Illinois \$10,500. He urged that at least \$5,000 be appropriated annually to carry on the work. Additional funds were not forthcoming for many years, however, although in the meantime additional duties were being saddled on the bureau.

Lack of funds made the work of collecting the information called for in the act difficult. “On account of the meagerness of the appropriation made by the legislature to support the bureau the mails have been the only available means with which the information which is contained in this report has been gathered,” declared Mr. Jones in his first annual report. “If the means at the disposal of the bureau had been sufficient to have obtained a personal canvass at certain points in the state,” he continued, “our work would have been very much facilitated. Still, the hearty accord with which the blanks have been answered by those addressed has been very gratifying and the results attained beyond the expectations of the commissioner.” Later commissioners, especially Commissioner Lacy, found the questionnaire method of securing information very unsatisfactory. In his eighth annual report, Commissioner Lacy declared that he had spent several hundred dollars less on

⁶Bureau of Labor Statistics, *Second Annual Report*. 1888, p. v.

stamps, and had used this money to send an agent to the more important industrial counties "who got the blanks answered a great deal more accurately and satisfactorily. I am more convinced," he reported, "that the only way to make this bureau a success is by the use of agents."

Despite the handicap occasioned by the lack of funds, much useful information was collected and compiled by the bureau. Commissioner after commissioner testified as to the demand for the reports, and commented on the favorable manner in which they were received by students of labor problems and other persons interested in the subject matter that they contained. To be sure, these early reports, as well as some of the more recent ones, often lacked much, both in subject matter and arrangement, which would have been useful to interested persons both within and without the state; but considering the difficulties under which the information was secured, and the stage of development of statistical methods dealing with this kind of data, the bureau had every reason to feel satisfied with its work.

It is not the writer's intention to give a detailed account of the development of the present Department of Labor and Printing. Our chief interest here is to see its organization and functions as they exist at the present time in order that we may be in a position to consider the advisability and manner of its reorganization. It is necessary, therefore, to mention briefly only those additional duties which were placed on the bureau from time to time, and to note the changes made in structure in order to bring its organization down to the present time. Some of the more important recommendations made by the commissioner "as he may deem necessary to promote the efficiency of the bureau" will be mentioned later.

In 1897, ten years after the passage of the original act, the general assembly made the first addition to the duties of the bureau when it made the commissioner of the bureau also the inspector of mines. The section of this act which provided an appropriation of \$5,000 to cover the added expense incurred by these additional duties was stricken out, however, leaving the annual appropriation at the original figure, namely, \$2,000.⁷

A fundamental change was made in 1899 when the general assembly made the office of commissioner elective by a vote of the people, and changed the term of office from two to four years. It also placed the examination of all printing and binding done for the state, and the approval of all bills for the same, in the department, requiring the assistant commissioner to be a practical printer. This action transformed the Bureau of Labor Statistics into the Department of Labor and Printing, and thus we have an explanation of the rather unusual combination of labor and printing in the same department. It may be noted here that while this change obviously threw much more work on the department, no increase was made in the appropriation, a fact which Commissioner Lacy resented bitterly.⁸

No further duties of importance were placed on the department until 1921. At this time the general assembly established the Public Employment

⁷*Tenth Annual Report, Bureau of Labor Statistics, 1896, p. v.*

⁸*Ibid.*, p. vi.

Service in the Department of Labor and Printing, adding to the responsibility of the Commissioner of Labor and Printing that of Federal Director of the Public Employment Service.⁹ Two years later the Bureau of Labor for the Deaf was created and placed in the department.¹⁰ The functions of this bureau were to "aid the deaf in the state in procuring employment, and enlightening the public in general, especially large firms and corporations, who employ hundreds of people as to the capabilities of deaf persons." Finally, in 1925, the Division of Service to the Veterans of the Spanish-American War, the World War, and their dependents was created in the department. The chief function of this agency is to assist the veterans and their dependents in any manner possible, particularly in securing hospitalization and medical treatment for the veteran where needed, and to assist him in establishing his claim for compensation from the United States government.¹¹

The foregoing, it is hoped, will give the reader a fair picture of the structure and organization of the North Carolina Department of Labor and Printing. To summarize briefly the functions of the department and of its parts, we may say, broadly, that they consist of the following: the collection and dissemination of statistics and other facts relating to labor; the supervision and inspection of the state's printing; the inspection of mines; the conduct of the public employment service; and, finally, the rendering of assistance to veterans.

In addition to the functions performed by the Department of Labor and Printing and its component parts, there are certain other functions performed by organizations ordinarily within a modern state department of labor but which operate outside of it in North Carolina. These consist of the administration of the Workmen's Compensation Act, which is in charge of an independent commission consisting of three members; the work of vocational rehabilitation, which is conducted by a director who coöperates with the United States Vocational Rehabilitation Service; and the supervision of women and children in industry, which is done by the Child Welfare Commission. Finally, the State Board of Charities and Public Welfare renders some services, particularly with respect to supervision over the care for the aged, which work is carried on in some states under the supervision of the state department of labor.

It may thus be seen that the work which is ordinarily done by the modern state department of labor is widely scattered, and in some cases is done by agencies working more or less independently of each other. This does not mean that it is necessarily done badly, nor is any criticism of any existing agency implied in suggesting a reorganization of the department. It is the writer's belief, however, that certain functions which are a part of the state's duties in this field are not at present being performed by any governmental agency in North Carolina because the general assembly has not yet provided for their performance; and that these duties, as well as those

⁹Department of Labor and Printing, *Thirty-Fifth Report*, 1924-26, p. 292.

¹⁰*Ibid.*, p. 295.

¹¹*Ibid.*, p. 304.

now performed, could be performed more advantageously and effectively under a unified, coördinated state department of labor.

With that idea in mind, the following plan of reorganization is respectfully submitted. It is presented in bare, rough outlines, and is intended to serve only as a starting point in the discussion and deliberations which must necessarily precede any such change. It is in no way to be regarded as a finished product. A practical working organization of this kind must come as a result of the combined experience and wisdom of all interested groups and parties; and if the form of organization herein suggested can be made the basis of such discussion and deliberation, it will have abundantly served its purpose.

It would seem, in the first place, that a state department of labor might well confine its entire attention to problems concerning labor. There appears no such close relationship between the handling of the state's printing, on the one hand, and the administration of its labor laws and the dispatch of other duties ordinarily connected with such a department, on the other, as to warrant combining the two things under the same head. The first suggestion, then, would be to transfer the supervision of the state's printing to a more appropriate department, thus leaving the department of labor free to direct its whole energy and attention to the field of labor and industrial relations.

Perhaps a satisfactory method of administering such a department would be to have a single head, a secretary of labor or commissioner of labor, although some of the more progressive states have a commission or similar body of three or more to head up the administration. Such a secretary or commissioner should be appointed by the governor, in accordance with the merits of the short ballot, instead of being elected by popular vote. Four years seems a satisfactory period of tenure, with power of removal for neglect or malfeasance of duty. He should have general supervision over the component parts of the department, and should have some voice in selecting his subordinates. He should be directly responsible to the governor for the discharge of his own duties, and for the satisfactory performance of duties of his subordinates.

In those states where the organization of the labor department has reached its most approved form, as, for example, Wisconsin, Pennsylvania, and New York, the actual work of the department has been divided among bureaus, or similar subdivisions, the exact number varying with the needs of the particular state. These bureaus are administered by heads who are responsible to the secretary or commissioner of the department, and who, in turn, have charge of any further subdivisions which may exist within their bureaus. This form of organization, it would seem, with the following bureaus established, might well serve as a model for North Carolina: a bureau of women and children; a bureau of workmen's compensation; a bureau of rehabilitation; a bureau of employment; a bureau of statistics; a bureau of standards and inspection; a bureau of industrial relations—seven in all.

The work to be performed by most of these bureaus is, in most cases, clearly indicated by their titles. This is particularly true of the first five, and as the nature of that work is generally familiar, in its more important aspects at least, no further discussion on that point will be necessary here. The functions of the first five bureaus, dealing with women and children, workmen's compensation, rehabilitation, employment, and statistics, respectively, are already being performed by existing agencies, some of which are at present in the Department of Labor and Printing. These might be retained as they are, and the others transferred to the department with but little change in their structure and organization. Some further powers are needed, however, to make their services more effective. For example, greater protection should be thrown around women and children in industry. Provision should be made for more adequate statistics on wages, hours of labor, unemployment, etc. All this, however, refers more especially to a lack of adequate legislation than to the more effective administration of what we already have. Consequently, while it is a matter of first importance, it is incidental to the subject of reorganization of the Department of Labor and Printing.

The suggested bureau of standards and inspection requires further discussion. The purpose of such an agency is twofold: to set up standards concerning health and safety in industry, and to look to the enforcement of these and all other laws concerning relations in industry. The first of these purposes may be explained more fully by a quotation from *Special Bulletin No. 14* of the Pennsylvania Department of Labor and Industry referring to the work of its Bureau of Industrial Standards:¹² "All investigations and surveys of industrial conditions other than those pertaining to women and children are conducted or supervised by the Bureau of Industrial Standards. . . . The Bureau of Industrial Standards is primarily a research and development organization. It is responsible for the development and promulgation of standards for health and safety in industry."

The need for such an agency in North Carolina was very forcefully expressed by Commissioner Shipman in the *Thirty-Second Report*:¹³ "North Carolina has become one of the leading manufacturing states in the Union and one of the most delinquent in providing and maintaining industrial standards for the protection of the worker," he declared. "The preservation of life is a bounden duty of the state, and failure to meet the obligation is little short of a crime. The department, therefore, desires to emphasize the importance of providing adequate industrial safety standards and means for enforcing the same as a safeguard against the loss of life and limb in the operation of machinery and in the mechanical construction and equipment of industrial plants."

It in no way detracts from the importance of the foregoing to say that it is equally essential that laws and standards should be enforced once

¹²"The Department of Labor and Industry," p. 12.

¹³1919-20, Introduction.

they are established, and it is to be feared that North Carolina has been somewhat delinquent in this respect. This seems to have been especially true with regard to the law concerning mine inspection. In the *Twelfth Annual Report*, Commissioner Hamrick declared that it was impossible to carry out the intent of the mining law in full, as there were no funds to make the law effective.¹⁴ "Beyond question our mines are deserving of special attention," he said, "and the legislature in passing the act in 1897 no doubt intended to compel the owners or operatives of the mines of the state to take all possible precautions for the protection of life, and with the recent dreadful disaster at Cumnock, and its attendant heavy loss of life, how could they do otherwise."

That this situation has not since been entirely satisfactorily remedied is evidenced by the latest report of the Department of Labor and Printing in which, after discussing the most recent mine disaster in the state, in which over half a hundred lives were lost, the commissioner lamented the fact that he had no skilled man to carry out the work of mine inspection.¹⁵ Further proof that more rigid inspection and more laws calling for inspection are needed may be gained from the reports of Commissioner Shipman, in which he repeatedly urged upon the general assembly the need for state inspection of boilers.

Another governmental agency which is to be found in all modern state departments of labor, and which is especially needed in North Carolina at this stage of her industrial development, is some kind of machinery for the settlement of industrial disputes. The need for such was first called attention to by Commissioner Hamrick as far back as 1898.¹⁶ At that time he declared that while the state had been "signally blessed in the total absence of labor disturbances, strikes or other troubles between employers and employees," the great increase in the amount of manufacturing had made such probable, and urged the legislature to empower the commissioner to act as arbiter in case such disputes actually should arise.

No further mention of this subject is to be found in the reports of the commissioner of labor and printing until 1922, when Commissioner Shipman expressed a similar view.¹⁷ Two years later he again emphasized the danger to the state from industrial disputes, and called attention to the need for some governmental agency to deal with the problem. At this time he said:¹⁸ "The utter wastefulness of the multiplied conflicts between employers and workmen causing cessation of work leads this department to recommend careful study of the laws found in many states providing for boards or commissions whose purpose it is to facilitate good understanding and an intelligent consideration of conflicting claims and demands."

¹⁴*Twelfth Annual Report*, 1898, p. 11.

¹⁵Department of Labor and Printing, *Thirty-Fifth Report*, 1925-26, p. v.

¹⁶Bureau of Labor Statistics, *Twelfth Annual Report*, 1898, p. 10.

¹⁷*Thirty-Third Report*, 1921-1922, Letter of Transmittal.

¹⁸*Thirty-Fourth Report*, 1923-24, Letter of Transmittal.

The subsequent trend of events, culminating in last year's tragedies at Gastonia and Marion, has amply demonstrated the wisdom of Mr. Hamrick's and Mr. Shipman's recommendations. And while it cannot be contended that, had North Carolina possessed machinery for the settlement of industrial disputes, it would have offered a guarantee against these strikes with their resulting loss of life and property, it is obvious that it would have offered a better opportunity for an amicable settlement. Consequently a bureau, or other agency, providing means for the settlement of industrial disputes through mediation or voluntary arbitration is an essential part of governmental machinery under modern conditions, and should be established by the State of North Carolina without delay. conc

In the foregoing pages the writer has suggested a plan which seems to him to offer a fairly well rounded-out department of labor for the State of North Carolina. Details, both as to organization and function, have purposely been omitted. His sole purpose has been to suggest a plan, the outlines of which might form a basis for further discussion and deliberation, leading eventually to a more effective organization of a department of the government which should, and does, exercise such tremendous influence over the lives of the working people of the state.

In conclusion, while it may clash with the opinions of more ardent advocates of laissez faire, the writer believes that the following quotation, taken from a recent bulletin of the Pennsylvania Department of Labor and Industry describing its own work, indicates the proper scope and functions of a state department of labor in our present society:

The powers and duties of the Department of Labor and Industry touch virtually every relationship between employer and employee. A worker, seeking employment, may apply at one of the free employment offices maintained by the department, or if he makes application to a private employment agency, operating for profit, any employment contact he makes comes under the supervision of the department. When the worker enters employment the working conditions within the plant, both as to safety and to health, are inspected by the department. All employment of women and children is under the supervision of the department by authority of special laws. If an employee be injured at work, the accident is reported to the department and payment of workmen's compensation is supervised by the department. Employees permanently disabled by industrial accident are in so far as is possible rehabilitated by the department and returned to suitable employment. If a potential, or active disagreement or dispute arises between employer and employees in any establishment, mediation of that dispute is attempted by representatives of the department. Statistical records of all matters affecting employment of labor in the commonwealth are compiled by the department for its guidance in making regulations for safety and for other purposes, as well as for the information of the public. Regulations governing industrial operations are made by the department in addition to many generally informative studies, surveys, and investigations.

THE CRISIS IN THE COTTON TEXTILE INDUSTRY: THE PROBLEM AND THE SOLUTION

C. T. MURCHISON*

1. STATUS AND CAUSES

Cotton textile manufacturing is the most important of North Carolina's industries. Within the state there are 374 cotton mills, according to the 1927 Census of Manufactures. They give employment to approximately 100,000 people and manufacture products whose annual value is in excess of \$300,000,000. The aggregate investment is conservatively estimated to be in the neighborhood of \$200,000,000.

This industry is, therefore, largely responsible for the status of employment within the state, for the amount of dividends which resident investors receive, and for an appreciable percentage of the state's revenues. The cotton mills and knitting mills together paid into the state treasury in 1927 approximately \$700,000 in income taxes alone.

North Carolina possesses more spindles than any other state in the Union except Massachusetts, and leads in spindle hours. A greater percentage of them is locally owned than in the case of any other Southern state.

It is obvious, therefore, that the economic welfare of the state is bound up closely with the welfare of the cotton textile industry. This accounts in no small measure for the great seriousness of the economic depression which prevailed in 1930, and which represented the culmination of a decline that had been in progress for several years.

With the exception of one year, 1927, the textile industry has been suffering a continually diminishing profit margin since 1923. At the time of this writing it is doubtful if one-half of the state's cotton mills are paying dividends on common stock. Even in 1927, which was the best year the industry has had since 1923, more than 20 per cent of the cotton mills were unable to show any net income. As compared with 1927, the best of the cotton mills within the state had in 1929 net incomes that had been reduced by at least 50 per cent. This estimate is based upon reports made by the mills to the National Credit Company. It is also borne out by the behavior of cotton mill security prices, which by the spring of 1930 had reached new low levels. At present it is not uncommon for cotton mill common stocks to sell at one-half their 1923 quotations.

The extent of the industry's depression is further revealed by the differential between the price of raw cotton and the price of cotton cloth. This differential is commonly known as the manufacturer's margin, and at this time it is narrower than it has been at any time within the history of the industry. In the case of many types of cloth, particularly such staples as sheeting, the margin between the price of raw cotton and the price of cotton cloth is such as to produce a loss of from 2 to 5 cents a pound on the cloth.

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There is not always a close connection between cotton mill activity and profit conditions. One ordinarily expects large output to be associated with high prices and satisfactory profits. In the case of the cotton textile industry, operations frequently proceed at full blast when goods are actually being sold at a loss. Curtailment of production on a large scale will not take place unless the degree of loss is so great as to threaten insolvency.

In the spring of 1930 the mill men of the state were actively cooperating with the mills of the other states in the inauguration of reduced production schedules. The famous agreement whereby more than 90 per cent of the mills pledged themselves to operate not more than 50 hours per week at night nor 55 hours per week in the day time was entered into at that time. Yet this action did not occur until the major part of the industry was on the brink of insolvency and had already reduced output about 30 per cent from normal levels.

CAUSES OF THE DEPRESSION

The persistence with which the industry's ills have grown greater and more numerous suggests that the present depression is not temporary in character and that the immediate future appears none too bright. To be sure, this problem is by no means local in origin or significance. It is nation-wide and can be solved only by the collective action of the entire industry, both north and south. In January, 1929, the *Southern Textile Bulletin* published a symposium of the views of about sixty mill executives relative to the causes of the textile depression, and discovered no less than fifteen varieties of opinion. Some thought that night work caused the trouble; others said there were too many mills; another group emphasized a faulty selling system as responsible; a few believed that the trouble was caused by weak and incompetent manufacturers; some stated that the readiness of mill men to cut prices as soon as overproduction threatened was mainly responsible; others thought we needed larger exports and fewer imports; and a few were disposed to blame the current fashions in women's clothing.

All were agreed on only one thing: that production was excessive. But unfortunately overproduction is not a cause of the industry's troubles; it is a result, and its use as an explanation gets us nowhere.

The overproduction is clearly not due to declining consumption. We have only to turn to the census reports to discover that both aggregate and per capita consumption of cotton goods have steadily increased during the past decade. To be sure, the character of consumption has changed, and to this we shall devote careful attention later.

Only in a very limited sense can we blame the introduction of rayon for the troubles of the industry. By weight the rayon consumed in this country is less than 5 per cent of cotton consumption. Moreover, much of the rayon yarn is being woven in the regular cotton mills and with regulation machinery. The use of rayon in mixture with cotton has probably stimulated as much as it has retarded the sales of the latter. But the greater part of the rayon yarn output is used by the knitting division of the industry in hosiery and underwear, and this has been the most profitable division of the textile

industry during the last five years. The increasing use of rayon has had negative results only in connection with the growers of cotton and the spinning mills, and here the inroads have been too slight for serious consideration.

Reasons for failure to attain a lasting and widely distributed prosperity are clearly not on the surface. While other industries have been unifying management through combinations and mergers, reforming production and management methods, regularizing output, inventory, and prices, the textile industry has retained its traditional forms and methods. It is still an industry whose manufacturing units are relatively small, widely scattered, and numerous, with ownership and management mostly in the hands of local interests.

Very rarely does a single enterprise do more than a fractional part of the processing required to convert raw cotton into a finished, usable product. There is instead a series of specialists, the output of one constituting the raw material of the next. No objection to this type of arrangement could be made, were the means or the disposition present to adapt the operations of the one to the requirements of the other. Unfortunately, such adaptation through voluntary, collective effort is almost wholly absent.

In its stead there is an attitude of conflict between the different groups, each striving to gain advantage over the other without apparent recognition of mutual interests. The economic bushwhacking is engaged in by spinners, yarn merchants, weaving mills, converters, commission merchants in cloth, wholesalers, garment manufacturers and the various forms of coöperative buying associations.

Many mills, approximately one-fourth, are exclusively spinning mills. Most of the cloth mills do some spinning, a few of them make practically all of their required yarns, and still others produce an excess of yarns which they dispose of in the market.

The buying and selling of yarns is accomplished through the agency of yarn merchants. Where the buyers and sellers are so numerous such an arrangement is necessary to procure instantaneous execution of orders and to provide even terms for all parties. Theoretically, its prices should reveal the true relationship between supply and demand for yarns and so serve as a guide to mill operations. In actual practice, its function of maintaining an even flow of goods is largely frustrated by speculative, and sometimes unethical, operations. No one questions the value of speculative operations in so far as they are a necessary adjunct to hedging. But in the yarn markets they extend far beyond any such laudable purpose. There we find speculative buying of yarns by merchants, mills, and outsiders always attendant upon rising cotton prices. Hence the curious result of stimulated yarn supply from cotton scarcity. At other times, yarn merchants will sell short in anticipation of being able to force mills to accept orders at a lower price. It is not uncommon for merchants to accumulate orders on their books temporarily rather than pass them on to the mills, hoping thereby to gain a subsequent buying advantage. Thus the yarn market as a whole, instead of reflecting exclusively consumption demand and actual supply, at times becomes an active agent in the

concealment of the relationship, and so joins with a number of other influences in producing chaos where there should be order.

A majority of the cloth mills are not equipped to do their own finishing, and so sell their products as "grey goods." Finishing, which includes such processes as bleaching, dyeing, and printing, is therefore in the hands of another group of specialists. But between the actual finishers and the cloth mills is still another group called the converters. The converters purchase grey goods or semi-finished goods from the mills or commission merchants, determine the style characteristics to be imparted to them, and have the finishers do the actual processing on a price per yard basis.

The converter is the stylist of the industry. He employs designers who are constantly at work on new patterns, colors, and fabric constructions. In anticipation of the changing fashions for an approaching season, he submits his new designs or patterns to the trade and solicits orders. Upon receiving the orders, he supplies the finishers with the base materials to be processed according to specification. If he buys the base materials in advance, he assumes a speculative risk. If he ventures to have materials finished ahead of the receipt of orders in expectation that certain designs or patterns are bound to be popular, his position becomes still more speculative. If he delays all contracts until receipt of orders, he runs the danger of finding the mills and the finishers unable to take care of his needs on such short notice. What he actually does is a matter of his individual courage, capital, and acumen. In any case he cannot be regarded as a stabilizing influence. The chances are all in favor of his intensifying whatever happens to be the tendency of the moment. If the grey goods market happens to be depressed, he will naturally delay his purchases to the last minute to the manifest disadvantage of the cloth mills. On the other hand, if the cloth market is strong and the outlook for higher prices, he will place his orders well in advance and insist upon early deliveries, thus stimulating still further the tendency toward overstocking which such a situation always produces.

THE COMMISSION MERCHANTS

In their purchase of grey goods, the converters do not ordinarily deal directly with the manufacturing units, but purchase through the agency of commission merchants. Thus between converters and mills there is essentially the same kind of open market arrangement as exists between spinners and weavers. The cloth merchants handle both finished and unfinished goods. Purchasing the converter's raw materials for him, they likewise sell for him his finished products.

But into the primary cloth markets, of which the commission merchants are the foundation and much of the superstructure, come not only the converters but also the wholesalers who buy and sell on their own account; the garment manufacturers; the great retail buying organizations, such as the department stores, the chain stores, and the coöperative buying associations;

interior decorators; and industrial consumers, such as automobile body manufacturers, furniture manufacturers, and those who use fabrics either as raw material or as container material.

Under modern conditions these buyers are powerful, shrewd, highly discriminating, and ruthless in their exactions. Yet the average cloth manufacturer never comes in touch with them. Except in a few cases, involving the largest mills, he is satisfied merely to turn over his entire selling accounts and selling responsibility to a selected commission merchant. It is not unusual for a merchant to represent at the same time fifteen or twenty competing mills, and several of the largest commission houses represent from fifty to seventy-five mills.

The prices at which the goods are to be sold theoretically are fixed by the mill, but in practice the goods move at prices recommended by the selling agent.

The commission merchant as selling agent is essentially a trader. In the very nature of the case, his prime motivation as a selling agent can not be concerned over the long-time profits of his many client mills. His major concern is with the immediate activity of the market—his volume of sales. Both his income and his standing in the market are conditioned upon one thing—moving the goods. A fluctuation of one cent a yard, which may mean the difference between profit and loss for the mill, is a matter of relative indifference to the merchant. As a proposition in ethics, he of course dislikes a development which is not favorable to his mills; as a matter of business, he must pursue a policy which produces an income for himself and orders for his mills. If, as an individual, he attempted a different policy and proceeded to hold out for better prices from buyers and more conservative production schedules on the part of mills, he would quickly get for his pains a loss both of buying and selling customers and a speedy disintegration of his business. His only other alternative is to go with the market and become an indistinguishable part of the daily whirligig.

This alternative is frequently made the more urgent by the fact that many mills look to their selling agents for their financing. Goods are sold commonly on a sixty-day credit basis. The mills themselves cannot bear the burden of such credit extensions. Commission merchants serve as a stop-gap, making the necessary money advances to the mills (with an interest charge) and subtracting the loans from the subsequent collections. Commission merchants also loan to mills in times of slack orders against the security of goods held in stock.

As a result of these credit practices, mills are almost continually in debt to the selling houses. In the light of its ultimate economic consequences, a more vicious method of financing could hardly be conceived. It has the twofold tendency of putting the mills in a position where they must sell goods to meet bills payable regardless of cost, and puts the merchants in a position where they must insist on such action for their own protection.

At a time of market depression in the industry, when the mills are selling output at cost or below, the necessary advances from the commission houses

will approximate 100 per cent of the selling value of the goods. This destroys the last vestige of market independence which the mills possess and prolongs and deepens the depression. The final sequel is a status of hopeless insolvency on the part of the weaker mills. Many of them will be taken over quietly by the commission houses and continued in operation as long as the sales commissions exceed manufacturing losses. Perhaps they will be nursed back into solvency; perhaps they will be dropped upon the bankruptcy courts. In such uncertain status are many mills at the present time.

THE WHOLESALER OR JOBBER

Somewhat beyond the commission merchant in the sequence of processes is the wholesaler or jobber. His importance in textile distribution has waned in late years, but at the present time he appears to be holding his own. He differs from the commission men in that he buys goods outright and sells from his own stock. His profits are not from commissions but from the difference between his buying and selling price. Although most of his purchases are made through commission men, he in some cases goes around the open market and buys directly from the mills that are able to supply finished goods. He also buys from converters who have their own selling organizations, when the latter are able or willing to meet his needs more advantageously than can the commission merchants.

His particular function in the scheme of marketing is to provide buyers with goods from stock on short notice and in great variety. Thus a large retail buying organization, which at the beginning of the season would place its orders in large volume through commission men, would at a later date place with the wholesalers its supplementary orders that call for varied items in fairly small volume for immediate delivery. The wholesaler is also the preferred source of goods for the many small retailers, garment manufacturers, upholsterers, and interior decorators, who have retained their independence as small buying units and therefore require goods in broken diversified lots and in frequent shipments. This type of business will always persist in sufficient volume to assure the wholesaler an important place in the marketing mechanism of the industry.

The wholesalers' loss of prestige has come from the recent rapid growth in chain stores, from the formation of buyers' syndicates, and the increasing size of department stores, mail order houses, and garment manufacturers.

As the buying units have become larger and stronger, their tendency has been to brush aside the wholesalers and to approach the commission merchants and the larger mills directly. This has changed radically the entire aspect of textile goods bargaining. Faced by so formidable an array of buyers who are thoroughly conversant with the weaknesses of the sellers, the commission merchants are neither in the mood nor in the position to resist effectively. They can only pass back to the mills the price ideas of the buyers, and in the present disorganized state of the mills the buyers' price usually prevails.

Such in the main is the organization of the cotton textile industry. Its many component atoms, widely scattered and varied in function, achieve coördination, such as it is, through indirection and conflict.

Adjustments in price, type of product, total output, and stocks on hand can be effected with reasonable exactness and promptness only when the disturbing influences are mild in character and slow-moving. But the industry has come to be harassed by influences that are anything but mild and slow-moving. Together they constitute a perfect carnival of violence and unrestraint.

THE PRICE OF COTTON

A spectacular example is the wild gyrations of the cotton market. In 1920-21 the range was from 10 to 40 cents a pound. In 1926-27 the range was from 11 to 25 cents a pound. It has become customary to expect the high price of any year to be from 40 to 50 per cent greater than its low price, and no surprise is entertained if this range happens to be doubled.

Before the war fluctuations, on a per cent basis, were not half so great as they have been since. In the period 1905-13 the mean deviation of monthly cotton prices from the average was only about 10 per cent. For the nine-year period 1920-28 the corresponding figure is about 25 per cent, and this was closely approached in every year except one. It is evident that cotton price fluctuations have a disturbing influence more than twice as great as they commonly exercised prior to the war.

The more rapid and violent the fluctuations in the price of cotton, the greater is the difficulty in adjusting proportionally the prices of goods. Trading risks therefore become much greater. A certain degree of protection is afforded the mills and converters by recourse to "hedging," but it is not great enough to insure against loss. Great technical skill is required for complete success in hedging operations, and many mills hesitate to make habitual use of them. The inadequacy of the device is well evidenced by the fact that a pronounced decline in the price of cotton invariably diminishes profit margins of most mills during the period of decline; whereas a pronounced rise in the price of cotton invariably increases mill profits for a portion of the period.

A still greater evil resulting from cotton price fluctuations is the high degree of irregularity which they impart to production operations of the mills. If cotton prices begin to rise in anticipation of a relatively small crop, orders for goods at once increase in volume. Retail buyers, industrial consumers, garment manufacturers, converters, and wholesalers hasten to provide for their requirements before prices rise further. The easy inflow of orders without solicitation or price higgling works like a tonic on the mills. They scramble madly to place more contracts for raw cotton. Production schedules are hurried up. Night shifts are thrown into operation. The increased mill activity gives cotton prices another fillip, and the contagion of forward buying spreads still further, with the mills disposed to manufacture to stock, if orders are not adequate to take all output at desired prices.

During this artificial tempest nothing at all is happening in the actual consumption area. If anything, the higher prices of goods will discourage

the ultimate consumer into the purchase of less clothing or the use of substitute fabrics. This fact finally dawns upon the various divisions of the industry after shelves and warehouses have become loaded with goods that are not moving. The aftermath of depression is likely to be of longer duration than the period of prosperity, since a readjustment downward is not so easy as the expansion upward. Many mills will not curtail until losses from continued operations become as great as the losses from complete stoppage.

The violence of production fluctuations, whether they originate in the cotton market or from some other cause, is much intensified by the prevalence of night work in the southern division of the industry. Night work is the major elastic element in production capacity. At least 50 per cent of the mills either work at night habitually or are prepared to inaugurate night operation on short notice. This accounts largely for the hair-trigger action of the industry in responding to slightly improved demand, and also explains the speedy manner in which market shortages are converted into surpluses.

CHANGES IN FASHIONS

Not less pronounced than the gyrations of raw cotton, and even more disturbing perhaps to the industry, have been the fashion changes of recent years. These changes have not been of such a character as to reduce total consumption, but have done their damage by continually forcing changes in the composition of output. It is a mistake to associate the concept of style changes with apparel goods only. Virtually all fabric constructions are now amenable to style changes. Denims, gingham, and osnaburgs are highly susceptible. Overalls, draperies, flour bags, furniture and automobile upholstery, curtain materials, and even sheets and bedspreads have all become extremely sensitive to shifting modes.

Before the war probably 80 per cent of the output of textile goods was rigidly staple. The other 20 per cent went through its transitions slowly. The upper strata of the population adopted the new modes in one season; they were gradually welcomed by the masses the following season, and probably did not reach the height of their popularity until the third year. The slowest of the mills and converters were able to make adjustments easily and without misgivings.

But these progressions are no longer gradual. The population of every hamlet keeps fairly abreast of the élite of Fifth Avenue. Moreover, into the picture of style changes has come the characteristic of the ensemble. It involves many elements. Everything that enters into the making of a complete costume, outerwear, underwear, hosiery, hat, shoes, and handbag, is simultaneously touched by the new mode. An equally complete transformation is wrought by a new idea in household furnishings, be it for drawing room or kitchen.

Thus it has happened that the portion of its product which the industry has been pleased to call its staples has been sorely whittled down, so that it is now virtually negligible and no longer constitutes an adequate back log for off-season operations.

Since the disturbing influences of style changes are directed toward the type and design of goods, the danger to mill, converter, jobber, and garment manufacturer lies in the imminent possibility that his chosen design or construction may become unpopular—that a sudden change in public taste may leave him with large stocks of unsold and unsalable goods.

The seasonable nature of the business accentuates these hazards, as it necessitates manufacture and purchase of goods further in advance than would otherwise be the case, and at the same time increases the danger of a carry-over.

No device has been found which effectually reduces the sum total of risk involved in the treacherous whims of fashion. The industry annually suffers from this source a loss running into many millions. Each specialist in the industry resorts to every ingenuity to reduce his particular risk, but it can be done only by transferring it to some one else. The retail buyers meet the problem by delaying orders for style goods as long as possible and then insisting on rush deliveries. The converter does the same thing in his purchases of grey goods, unless the cotton market dictates otherwise, and then at the last minute crowds the finishers.

As the various types of retailers, distributors, processors, and garment manufacturers seek to escape risk in this manner, they add proportionally to the burdens of the mills. Here the large capital invested and the maintenance of the labor force require regularity of output if operations are to be efficient and profitable. If such regularity is attained, it means indebtedness and possible overproduction.

The problems incident to style changes are not then being met coöperatively by the various factors that compose the industry. Instead of unity of effort we find cross-purposes and antagonisms. There is surely something wrong with the organization of an industry which forces this ruthless competition between groups that perform different functions!

Effort at more efficient management on the part of individual enterprises can avail but little in the way of permanent improvement so long as the present organization of the industry remains intact. The individual who gains in efficiency will profit only so long as he remains a rarity. Adoption of more efficient methods by the majority of enterprises would merely put competition on a lower price level. The savings from lower costs would eventually be translated into nothing more than lower prices. By the same token the utilization of cheaper labor is of only transient advantage. It merely sets in motion a series of new influences which tends to make all wages lower without profiting those who have brought it about.

2. PROPOSED SOLUTIONS

In recent months much has been said in favor of certain legislative restrictions such as, for example, the limitation of hours and the elimination of night work. Should the states combine in such a program of legislative restriction, the immediate effects would be beneficial. The present capacity of the mills would not permit so readily an overproduction of cotton goods were

night work prohibited. A higher and more stable price level would probably result. It is doubtful, however, if the improvement would be permanent, since a condition of greater prosperity within the industry would undoubtedly stimulate the entrance of new mills. If the final results of such restriction should consist of nothing more than a doubling of the industry's daytime capacity, the achievement would not be worth the price.

A permanent solution of the textile problem must provide not only the mechanism of coördination and efficiency but must also set up effective protection against uneconomical additions to plant and equipment.

VERTICAL INTEGRATION

No device capable of meeting these requirements seems in view, except a drastic reorganization of the industry into vertical integrated combinations. By this is meant the union of all the processes, spinning, weaving, converting, finishing, and selling, under one unified control. It is quite properly taken for granted at the present time that a successful selling organization must be prepared not only to fill orders of maximum size but also to offer a great variety of designs and constructions. It is likewise taken for granted that the successful performance of the converting function requires large-scale operations and access to great variety and volume of basic fabrics. Thus the requirements of successful merchandising and converting would seem to dictate the building on to these functions of the necessary manufacturing facilities. In other words, there must be as a condition precedent large-scale combination of spinning mills and weaving mills, followed by the establishment of vertical connections between these large manufacturing groups and the groups that are entrusted with the problems of styling and merchandising.

This plan of organization takes for granted that the basic controlling influences in the textile industry arise from conditions in the market. Not only the quality of output but also its quantity and variety are matters which the market and the market only must determine. This is a concept of management that regards the manufacturing process as being strictly technical in character. It is concerned with the scientific requirements involved in the proper use of raw material, personnel, and machinery. In other words, its proper task is to provide goods according to specifications and qualifications stipulated by those agencies which are acquainted with the character of the market. Such an arrangement represents a radical departure from the methods now in vogue. At present the problems of technical management are under the same administrative control as the policies that determine the quality, quantity, and type of goods produced. This in itself is sufficient evidence of the obsolescence of the present structure of the textile industry. But when we consider further that production schedules are commonly controlled by men who are not even remotely associated with the market and are wholly ignorant of the forces that are shaping market tendencies, there is no occasion for surprise that so many units are constantly on the verge of insolvency.

It is a commonplace in American business experience that the secret of success in all industries manufacturing goods for popular consumption is to place merchandising considerations foremost, and then require manufacturing operations to adjust themselves accordingly. It is a mode of procedure which calls for scientific salesmanship, effective advertising, and, above all, a selling price that is not subject to daily higgling but is computed from an exact knowledge of costs. The tendency is one which necessitates a narrow differential between costs and selling price, and which produces adequate profits only on the condition of quantity and output and careful regulation of inventory.

If the textile industry is to conform to those management axioms that have proved so important a factor in the prosperity of other industries, there is no alternative to its complete reorganization along the lines of vertical integration.

Placing under a single control all of the processes necessary to the production and sale of a finished product means for the textile industry not only an inauguration of the constructive features we have mentioned but also the elimination of those destructive characteristics which prevail throughout the present structure of the industry. As we have noted, the separation of spinner from weaver, of weaver from converter, of converter from commission merchant, of commission merchant from merchandising buyers and garment manufacturers, has resulted in the setting up of what is tantamount to a series of speculative mechanisms. Each point of connection plays its part in the clouding of the judgments and activities of the various divisions. Where there should be coördination there is conflict; where there should be interest in the functions necessary to the work of the industry there is interest in the profits from fortuitous circumstances and shrewd forestalling.

With the adoption of unified control, every process within its jurisdiction is regulated with only one thing in view, and that is an efficient performance of its own particular rôle in providing the ultimate finished product.

To be sure, no form of organization can be expected to provide smooth and even operations for the textile industry. No technical readjustments can overcome the disturbing influence arising from the seasonal character of textile products; and certainly no one has a right to assume that in the future style changes will be less violent and less disturbing in character. All that the industry can hope to do is to minimize the losses which these variables impose. The vertical type of control that we are advocating here will accomplish this, not only through the greater directness and efficiency of management but also through the complete change of motives which it would introduce. If the weaver is eliminated as an independent factor in production, he will have no motive to enlarge output merely because of rising prices of cotton. Those who constitute the next division of the industry would likewise become totally disinterested in enlarged operations at such a time, in view of the fact that no increase in the actual consumption of cotton goods can be expected to follow rising prices in the raw cotton market. Thus the artificial and illogical consequences of fluctuations in the raw cotton market, leading as they do to

speculative and artificial responses in the industry, could no longer, under the new arrangement, be of any importance except in so far as they would necessitate a revision of finished goods prices to maintain a proper profit margin.

In meeting the problems created by style changes, the proposed arrangement would produce a concentration of artistic activities within fewer and more competent hands. The great multitude of patterns and designs which accomplish nothing more than a high mortality rate among their creators, and a tremendous amount of wastage through inability to sell the products with which they are associated, would be prevented. The distribution of orders to the mills, based upon anticipated style changes, would therefore be not only quicker and more direct but far more intelligent. Manufacturing blindly to stock in the absence of orders would no longer be tolerated. The arrangement would provide an opportunity for the large organizations to utilize brands and trade marks, and thus make possible the building up of goodwill—a goal which as yet but few units of the industry have been able to reach. Any development that makes for the identification of product by the consumers will contribute to the stability of the cotton goods market, will reduce the pressure of competition, and will make possible a system of merchandising based upon the merits of the commodity as well as the price at which it is to sell.

The type of organization advocated will be of slow growth. A prerequisite to its culmination is the bringing together into large administrative units of a great number of small independent mills. The process is rendered all the more difficult because of the lack of banking interest, due to the chronic unprofitableness of the industry. The greater part of the readjustment will have to be effected by an exchange of stock, and this always involves long drawn out and tedious appraisal operations as well as the overcoming of differences of opinion as to true exchange values. Furthermore, much skill will be necessary in bringing together within a single combination the right proportions of equipment designed to turn out various products.

The problem is one which will absorb a large part of the industry's attention and energies within the coming decade. Until it is solved there can be no permanent alleviation of the distress that wage earners and stockholders now share in common. The rapidity with which "management" will achieve its solution is conditioned upon its readiness to be guided by the principle that in the field of cotton textiles the ills to be remedied lie in the interrelationships of the various constituent units rather than in the administration of individual enterprise.

THE PLACE OF THE STATE IN ECONOMIC LIFE

J. GILBERT EVANS*

I

THE STATE AND THE SOCIAL PROCESS

The state, like all human institutions, changes with its ideological and material environment. The functions of the state are not reducible to formulæ but reflect the needs and abilities of those who control it.

We must live by common rules. We must build an organ which enforces and interprets those common rules. We must so build it that both group and individual are safeguarded in their freedom and in their equality so far as institutions can provide a safeguard. For it is well to realize at once that no system will ever fail to be weighted in some special interest. There will always be either powerful individuals or powerful groups who make their way against others less apt to assertiveness. Our effort must be a search for the compromise which allows to the largest possible number a life that is worthy of our resources.

In this statement, Mr. Harold Laski gives us his views on the nature of social process and holds up certain social aims as desirable. He believes that in human society there is a constant, inevitable conflict between groups and groups as well as between individuals and individuals. The development of those institutions which force these conflicts to be carried on under common rules is a hall-mark of civilization. We can consciously build institutions that set up and enforce these rules. In building them we shall have in mind certain social ends deemed worthy for the time being. The life that the members of a community may lead is conditioned by the available resources and the manner of their use.

In the utilization of our land, our labor, and our capital two functions have to be performed. Resources must first be organized for the production of goods and services, and, second, the goods and services produced must be divided among the individuals and groups. For the performance of these functions many institutions have been set up and these must conform for the most part to the nature of the technology practiced by a people and to the nature of the social aims of a people. The present socio-economic organization is criticized, therefore, from two general angles. Either it fails to take full advantage of the possible technological opportunities—it is not efficient—or it does not conform to the most worthy ideals concerning what is desirable for human beings.

Socio-economic organization must ever be in a state of flux, for neither our technology nor our social philosophy remains constant from generation to generation. Perhaps it should be emphasized that our social philosophy is subject to two variables—our view of the nature of the social process and

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what we consider desirable social ends. Sydney and Beatrice Webb can truthfully say that the evils of the industrial revolution in the England of the early nineteenth century were not due so much to the absence of high social ideals as to the contemporary view of the social process which created a "state of mind" that condoned doing nothing about the apparent evils.

There are two alternatives, at once conflicting and complementary, in the performance of the two basic economic functions. Production and division of income may be left to what may be called the unconscious or mechanical working institutional forces, or they may be accomplished by a conscious control of institutional forces. The late George Unwin described the alternatives as follows: "In all historical development we see the interaction of two great sets of forces. On the one hand, there are the forces from below, the forces of spontaneity, of germination. On the other hand, there are the forces from above, the forces of authority, of formulation. Speaking very broadly, we may express one set of forces by the term society, and the other set by the term state. We may put our question thus: Which ought to possess the dominant influence over the other—Society or the State?"

Obviously, the strength of the "forces from below" depends upon the action of free and intelligent individuals. If each individual in society has the opportunity—real not merely legal, positive not negative—to develop his capacities and to use them when once developed, these forces will be as powerfully spontaneous and germinating as human society can make them. But these forces from below must be trained to follow certain common rules or conflict between individuals would summarily dry up much of the spontaneity with the establishment of a stratified society, after the fashion of feudalistic oriental countries, where the opportunity of the great majority of individuals to become elements of the germinating force of society is almost non-existent.

Much of the spontaneity in the present economic society is supposed to be a consequence of the development of the price system or money economy, in which individuals, by mechanically buying as cheaply and selling as dearly as possible, automatically set in motion the germinating forces of modern economic life. This belief is an illusion and a most diabolical one. The real germinating forces are back of the market, back of the unconscious mechanical working of the price system. They rest fundamentally on the opportunities which the mass of the people, as individuals, have to develop and to use their capacities in the price system. The "forces from below" are a function, in the mathematical sense, of the "forces from above." The state itself determines the quantity and quality of the spontaneous and dynamic power of society. The consciously controlled process is simply the process of setting up, through formulation and authority, the common rules that govern the conflict between individuals and groups. The very heart of the problem of the place of the state in economic life is merely the question of determining the rules under which the greatest possible spontaneous and germinating power can be created. This is the true function of the state, and to

accomplish this purpose it should not be hampered by such transient considerations as "the law of the past" and inflexible constitutions.

The consciously controlled process, the state, does not derive its power from some mystical source but from powerful individuals and groups who, through a special set of rules, gain and retain control. The state itself is an institution, sovereign over all other institutions, which makes the rules for its own organization and perpetual existence. Its peaceful existence depends upon its success, either in keeping ineffective the groups not represented, and hence probably exploited, or of giving groups that organize and challenge its policies a place in their formation and direction.

The force of social aims and philosophy is well illustrated by the ubiquitous tendency of any special group to identify its own interest with the community interest. Those seeking tariff protection and those employers seeking to avoid a limitation of their autocratic powers are constantly influencing the legislative, executive, and judicial policies of the state in the name of national welfare or of so-called American principles. The same is true of rising minority groups. They feel that their aims and policies conform to the social philosophy of the time and that what they wish to do is in the name of society and should never be held to be purely selfish.

The state as an agency of social control is no better than the interests from which it receives spontaneous and germinating power. Spontaneity in the activities of the state is just as probable as in any social institution. Like any other institution, the excellence of its performance depends upon the excellence of its personnel.

Through the state, society lifts itself by its own bootstraps. A consciously directed sovereign power sets up the common rules under which we must live. These rules are designed to broaden the scope of human capacity for accomplishment. In the process the state, as an institution, is itself improved and is capable of still greater service as a social institution. The question Professor Unwin asks: "Which ought to possess dominant influence over the other: Society or the State?" is sterile. The state and society cannot be separated. The state is merely a machine, a technique of social control. Without the state there could be no "forces from beneath," spontaneous and germinating; without spontaneous and germinating forces there would be no state. What, then, is the function of the state in economic life? Briefly, it is to maximize the spontaneous and germinating forces in society by equalizing opportunities and liberties for all individuals through the conscious control of the common rules of economic activity.

In order to perform this function, the duties of the state will vary according to the technology used by society and according to the prevailing social aims and views of the social process. Charles A. Beard puts the point concisely: "The fundamental stock of ideas and political institutions inherited by the twentieth century was created in the image of handicrafts and agriculture, petty production and marginal subsistence—and has little, if any, relevance to the fact patterns and immense potentialities brought into the world by science and the machine." According to Professor Beard, the state

is not at present performing its proper functions because as an institution it has not kept pace with changes in social aims and economic technique.

In a simple economic life the task of the state may be light because interdependence is small and the inequality of social and economic power less disastrous. Production and distribution of the product might be efficiently accomplished under some conditions by a passive, negative state, but, where the extent of interdependence is very great, where enormous economic power is concentrated, and where the economic mechanism is delicately balanced, we can expect a multiplication of the number and power of conflicting groups. How shall we keep this conflict in the machine age under reasonable control? The state is the only answer. Now, more than ever before, the state is called upon to set up common rules of action not only for individuals but for groups, and, furthermore, to assume duties which are very essential to the welfare of society but which would not be otherwise performed.

II

THE STATE AND THE CONTROL OF OVEREXPANSION

Let us inquire into the nature of functions of production and division of income in order better to understand the place of the state in present-day economic life. Behind the forces that germinate enterprise, the organization of resources for carrying on production, are forces that influence the quantity and quality of the resources themselves. Can these forces be left to the control of the unconscious, mechanical process? Few of them can today be left to such control. With respect to the amount and use of savings and the population, the English economist J. M. Keynes says: "I believe that some coördinated art of intelligent judgment is required as to the scale on which it is desirable that the community as a whole should save, the scale on which these savings should go abroad in the form of foreign investments, and whether the present organization of the investment market distributed savings along the most nationally productive channels." Furthermore, he says, "The time has already come when each country needs a considered national policy about what size of population, whether larger or smaller than at present or the same, is most expedient."

The quality of the human resources has long been recognized as a responsibility of the state. If the one most determining cause of economic progress is sought, it will probably be found in the manner in which the state sees to it that every individual under its sovereignty is given the opportunity to develop his economic possibilities. The greatest economic advancement in the South probably awaits the day when she shall make the best possible use of her human resources. All advance towards a higher material culture, and very likely non-material also, depends on that. Child labor, fourth-grade education, long hours, and paternalism are flimsy foundations for a great economic commonwealth.

Competition in enterprise is displacing money as the source of all evil. Because farmers cultivate land in periods of high prices that in periods of lower

prices would best be used for other purposes, the whole agricultural industry suffers and the farmers' well-being is decreased. If adjustment comes at all through the price system, it is at great social cost. The same is true of bituminous coal and petroleum. The interests of each industry and ultimately of the employees and the consumers are wholly disregarded by individuals filled with spontaneous profit-seeking energy. As a result, we have suggestions that new mines and oil wells must receive a federal license before they can be opened. We have already the spectacle of the federal government encouraging the proration of production in petroleum in a very detailed manner, and "umpires of proration" in Oklahoma and California are now functioning.

In order to eliminate much of the existing uncertainty and insecurity in the financial world, which is believed to be somewhat of a "heart" to the economic organization, most countries have established central boards to control banking and credit policies in the interests of the nation. Also, into most large industries have come trade associations for the purpose of creating common rules of action among the separate production units, and hence labor unions come to insist upon common rules of action between workers and employers. These new organizations, as well as financially integrated combinations, concentrate economic power into the hands of a few. It is up to the state to see that they do not abuse it. There now exists the Federal Trade Commission, the Federal Reserve Board, the Federal Farm Board, the Federal Power Commission, the Interstate Commerce Commission, and the Federal Radio Commission. The purpose of these bodies is to prevent the abuse of economic power.

At a recent meeting of furniture manufacturers one of the speakers declared that the furniture industry needs a "Judge Landis." Integration and coöperation through the Cotton Textile Institute are held to be the real hope for bringing that industry out of chaos. In this manner powerful organizations may tend to socialize themselves, thereby lessening the duties of the state. Indeed, Walter Lippmann believes this inevitable. "It is my impression," he says, "that when machine industry reaches a certain scale of complexity it exerts such pressure upon the men who run it that they cannot help socializing it. . . . When the machine technology is really advanced, that is to say when it has drawn great masses of men within the orbit of its influence, when a corporation has become really great, the old distinction between public and private interest becomes very dim. I think it is destined largely to disappear."

All students of economic life recognize that there exists today an enormous centralization of economic power in the industrial nations. This power may not be abused, but an intelligent people will always be suspicious that there are abuses and will look to the state to prevent them. How the state will handle this problem no one can be certain. There will have to be much experimentation before any very satisfactory arrangement can be worked out. To decry the growing participation of the state in the control over business units is to display ignorance of what is happening in modern economic life. It is

no longer a question of participation but of intelligent, effective participation.

The important question which these great changes raise is the same old one. Will this activity on the part of the state, in providing an ever-widening, conscious control of economic organization, dry up the streams of spontaneous and germinating energy from beneath by the use of authority and formulation from above? It is possible that the answer will be affirmative, but it is very improbable that it will be so. The problems facing a state commission are in no respects essentially different from those that face the responsible management of any corporation. The autocratic control of contemporary corporate enterprise undoubtedly fails to call forth and use an enormous amount of available human energy. One of the real functions of the state is to prevent corporate organization from stratifying society and thereby making a permanent class monopoly of economic authority and formulation, with the consequent sacrificing of the forces from beneath.

III

THE STATE AND THE DIVISION OF THE PRODUCTS OF INDUSTRY

The functions of the state with respect to the division of the social product among individuals and groups is indeed a delicate problem. Upon its intelligent handling depends the future of the contemporary civilization, for, as Mr. Laski remarks, "No nation can hope to survive, no civilization has ever survived, in which there is a permanent division of its people into rich and poor." The problem of the division of the social product is becoming more and more separated from the problem of production. The state is sovereign in matters of property rights and inheritance. These institutions can be modified and adjusted to suit the conditions and aims of the time. All such institutions are not "sacred" per se but must furnish their justification by results. Through its taxing power the state can readjust the division of income very markedly. Through the expenditure of revenues the state can equalize the opportunities of individuals to the extent that education will do it and thus cut down the scarcity position of trained individuals. By its regulation of economic activity the opportunities to acquire income and wealth may be limited to those in which desirable social consequences are most liable to be obtained. How far should the state go in this direction? There is no definite answer except to say as far as is necessary to get the desired results.

As society is today organized, there exist powerful conflicting groups which are engaged in a struggle to obtain advantage in the receipt of income. Labor and capital, for example, jockey for the privileged position. Always the conflict has profound social implications. It is to the state that we must look, ultimately, to make and enforce the rules under which collective bargaining between labor and capital, producer and consumer, producer and producer, can be successfully carried on.

If the state fits into the economic order wherever it is needed to accomplish desired objectives, will there not ultimately be some form of state socialism? Well, if change is resisted and a violent revolution forced, some form of state socialistic system might be superimposed on the economic structure as

it was in Russia! But if change comes gradually, the state may never reach the point where it has centralized the existing spontaneous and dynamic forces of society into one closely knit organization. Keynes believes that "in many cases the ideal size for the unit of control and organization lies somewhere between the individual and the modern state." He suggests, therefore, that "progress lies in the growth and the recognition of semi-autonomous bodies within the state—bodies whose criterion of action within their own fields is solely the public good as they understand it, and from whose deliberations motives of private advantage are excluded, though some place it may still be necessary to leave, until the ambit of men's altruism grows wider, to the separate advantage of particular groups, classes, or faculties—bodies which in the ordinary course of affairs are mainly autonomous within their prescribed limitations, but are subject in the last resort to the sovereignty of the democracy expressed through Parliament."

Are hopes of constant improvement of economic organization and material life, through the extension of the place of the state in economic life, futile delusions? Santayana would have us believe so. "A thousand reforms," he says, "have left the world as corrupt as ever, for each successful reform has founded a new institution, and this institution has bred its new and congenial abuses."

It is true that in solving problems once for all reforms are vain, but we no longer expect to solve problems once for all. On the contrary, we expect that every future generation will have to solve the same problems regarding the place of the state. Professor Unwin describes the process of change in the forces behind the state.

We can watch in all its successive phases the transformation of social forces into political forces which is an essential feature of what we call progress. We see class after class constituting itself a social force by act of self organization. Then, as the new force gains political recognition, the voluntary association passes wholly or partly into an organ of public administration. As class power generates class privilege and exclusiveness, new social forces gather to a head and find expression in new voluntary associations, which tend in their turn to be transformed as they reach the vortex of political activity.

The rise of the laborers and farmers to political power through voluntary association may be expected and indeed welcomed. That they suffer disadvantages under the present business-controlled political organization can not be denied; nor can it be denied that when they attain political power they will do away with some evils and at the same time create new ones. The place of the state in economic activity is ever changing. It is an opportunistic institution that serves its day, but the days change.









